

Roman Catholic Diocese of Memphis

2022 Financial Report Highlights

- The financial statements of the Diocese of Memphis are independently audited by Watkins-Uiberall of Memphis. The entire report is given below, reflecting the fiscal health of the Diocese for the period beginning July 1, 2021 and ending June 30, 2022.
- As has been the case since the Diocese first started to be audited years ago, the results reflect a “qualified opinion”, which means that the auditors were unable to give an unqualified, or clean, audit opinion due to one or more issues in the financial statements. In the case of the Diocese, the reasons for the qualified opinion are as follows:
 - The Diocese did not receive the records needed to record the accounting cost of land and buildings associated with the establishment of the Diocese in 1971.
 - Disposals, retirements, and related gains and losses for fixed assets have not been fully recorded.
 - The Diocese has recorded acquired assets only since Watkins-Uiberall has been the auditor of record.
 - Additionally, the Diocese has elected not to book depreciation of assets since they are incomplete.

To approximate these missing values, insurance appraisals or current tax estimates are used as net values for these assets. For a more detailed discussion, please see Page 2 of the audit report. This qualified opinion is currently acceptable to our lenders and creditors.

- Other than the reasons for the qualified opinion, Watkins-Uiberall believes that the Diocesan Financial Statements present fairly the financial position of the Diocese and the changes in its net assets and cash flow for the year.
- These audited financial statements include activities and cash flows of all the parishes and missions, grade schools, high school, cemeteries, retreat center and the Chancery. Various religious orders, lay societies, and religion organizations that operate within the Diocese, but are not fiscally responsible to the bishop, are excluded. Additionally, Catholic Charities of West Tennessee is audited as a separate entity and is excluded from these figures. To see a copy of the Catholic Charities audit report, please visit their website at www.ccwtn.org.
- Total assets of the Diocese (see page 5) decreased by \$11.1 million from the prior year due to a decrease in investments (\$7.3 million) and a decrease in Pension assets, having swung in value to a pension liability (\$5.5 million). This was offset by an increase in cash and cash equivalents (\$1.3 million).
- Total liabilities of the Diocese (see page 5) declined by \$10.4 million due to reductions in long term debt (\$10.5 million), derivatives (\$1.5 million), and post-retirement benefit obligation (\$1.6 million). This was offset by a growth in pension liability (\$4.1 million). The long-term debt

reduction included the sale of the Catholic High School building which was used to offset the bank debt for St. Benedict High School.

- For the end of the fiscal period, the Diocese reported a decrease in net assets of \$0.75 million (see page 5). This is mainly due to the increase in Investment in property and equipment (\$14.4 million) and purpose restricted donations (\$2 million) offset by decreases in diocese-designated donations (\$1.6 million) and undesignated donations (\$15.5 million).
- Operating expenses for the year were \$67.1 million, which is up 12.1% from the \$59.9 million incurred in the prior year – mainly due to an increase in ministry expenses across the diocese.
- Non-operating losses were \$10.4 million, down from a gain of \$45.2 million in the previous year due to a net investment loss of \$7 million vs. a net investment return in the prior year of \$8.9 million. Additionally, the current year reflects a negative pension liability adjustment of \$8.8 million while the previous year was a positive \$30.5 million.
- The pension adjustment reflects the amount needed to fully fund the retirement accounts for Priests and Lay Employees. When it is negative (liability), it means that the accounts are underfunded; when it is an asset or positive, they are overfunded. For a more thorough discussion, see note 15 on page 26.
- The Diocesan Finance Council meets regularly and serves as the primary advisory body to the bishop in the area of financial administration. In addition to reviewing the annual budget and the annual audit, canon law requires that the council be consulted on acts of extraordinary financial administration, such as the purchase or sale of real estate, the borrowing of large amounts of funds, and major new construction projects. The membership, meeting agendas, and statutes can be found on the CDOM website.
- The Finance office has the responsibility of supporting and assisting the bishop in the stewardship of the temporal resources needed to carry out the mission of the Diocese. It fulfills this responsibility by seeing that the resources of the Catholic Center offices, as well as those of the parishes, schools, and Diocesan-affiliated entities are administered in a prudent manner in accordance with church law. It also includes onsite evaluations of the financial practices of parishes and schools to ensure their assets are properly safeguarded, that proper internal controls are in place, and that there is compliance with Diocesan financial policies.
- Should you have any questions concerning the audit report, please contact the Finance Department at FinanceDept@cc.cdom.org or call us at 901-373-1200.

God bless you,

David Zaleski
Chief Financial Officer