

***Diocese of Grand Island
Grand Island, Nebraska***

June 30, 2021 and 2020

*Financial Statements
and
Independent Auditor's Report*



CPAs & Consultants | Wealth Management

Diocese of Grand Island
Years ended June 30, 2021 and 2020

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CPAs & Consultants | Wealth Management

INDEPENDENT AUDITOR'S REPORT

Finance Council
Diocese of Grand Island
Grand Island, Nebraska

We have audited the accompanying financial statements of the Diocese of Grand Island which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese of Grand Island as of June 30, 2021 and 2020, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

HBE LLP

Lincoln, Nebraska
March 24, 2022

HBE

Diocese of Grand Island

STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents (note A) | \$ 1,835,623 | \$ 1,719,690 |
| Accounts receivable (notes A and C) | 569,550 | 538,119 |
| Interest receivable | 2,485 | 3,563 |
| Unconditional promises to give, net (notes A and D) | 21,922 | 50,929 |
| Investments (notes A, E and F) | 28,904,060 | 24,211,006 |
| Prepaid expenses | 41,110 | 43,184 |
| Loans receivable (notes A and G) | 881,148 | 989,886 |
| Property and equipment, net (notes A and H) | 887,468 | 935,096 |
| Other asset | <u>1,550</u> | <u>1,550</u> |
| Total assets | <u>\$ 33,144,916</u> | <u>\$ 28,493,023</u> |

LIABILITIES AND NET ASSETS

| | | |
|---------------------------------------|----------------------|----------------------|
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 9,882 | \$ 48,775 |
| Deferred revenue (note A) | 33,305 | 31,410 |
| Deposits payable (note A) | 5,567,575 | 5,468,677 |
| Custodial funds payable (note A) | 94,631 | 13,145 |
| Promises to give payable | 15,000 | 15,000 |
| Note payable (note I) | - | 185,700 |
| Lease payable (note J) | <u>3,672</u> | <u>5,588</u> |
| Total liabilities | <u>5,724,065</u> | <u>5,768,295</u> |
| NET ASSETS (notes A and K) | | |
| Without donor restrictions | 24,777,319 | 20,438,333 |
| With donor restrictions | <u>2,643,532</u> | <u>2,286,395</u> |
| Total net assets | <u>27,420,851</u> | <u>22,724,728</u> |
| Total liabilities and net assets | <u>\$ 33,144,916</u> | <u>\$ 28,493,023</u> |

See accompanying notes to financial statements.

Diocese of Grand Island
STATEMENT OF ACTIVITIES
Year ended June 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|--------------|
| CHANGES IN NET ASSETS | | | |
| Operating revenue and support | | | |
| Contributions and bequests | \$ 673,331 | \$ 184,339 | \$ 857,670 |
| Fees and assessments | 1,997,661 | - | 1,997,661 |
| Auxiliary revenue | 93,945 | - | 93,945 |
| Insurance rebates | 22,389 | - | 22,389 |
| Gain on extinguishment of debt | 187,062 | - | 187,062 |
| Net assets released from restrictions | 221,114 | (221,114) | - |
| Total operating revenue and support | 3,195,502 | (36,775) | 3,158,727 |
| Operating expenses | | | |
| Program services | | | |
| Pastoral | 178,804 | - | 178,804 |
| Religious personnel development | 483,915 | - | 483,915 |
| Education | 607,606 | - | 607,606 |
| Social services | 419,060 | - | 419,060 |
| National and local collections | 203,701 | - | 203,701 |
| West Nebraska Register | 299,476 | - | 299,476 |
| Supporting services | | | |
| Administration | 1,485,357 | - | 1,485,357 |
| Fundraising | 46,269 | - | 46,269 |
| Total operating expenses | 3,724,188 | - | 3,724,188 |
| Change in net assets from operations | (528,686) | (36,775) | (565,461) |
| Other changes in net assets | | | |
| Investment income (note E) | 4,983,605 | 393,912 | 5,377,517 |
| Loan interest income | 27,351 | - | 27,351 |
| Deposit interest expense | (143,284) | - | (143,284) |
| Total other changes in net assets | 4,867,672 | 393,912 | 5,261,584 |
| INCREASE IN NET ASSETS | 4,338,986 | 357,137 | 4,696,123 |
| Net assets, beginning of year | 20,438,333 | 2,286,395 | 22,724,728 |
| Net assets, end of year | \$ 24,777,319 | \$ 2,643,532 | \$27,420,851 |

See accompanying notes to financial statements.

Diocese of Grand Island
STATEMENT OF ACTIVITIES
Year ended June 30, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|----------------------|
| CHANGES IN NET ASSETS | | | |
| Operating revenue and support | | | |
| Contributions and bequests | \$ 484,630 | \$ 361,130 | \$ 845,760 |
| Fees and assessments | 1,920,364 | - | 1,920,364 |
| Auxiliary revenue | 79,791 | - | 79,791 |
| Insurance rebates | 31,297 | - | 31,297 |
| Net assets released from restrictions | <u>353,989</u> | <u>(353,989)</u> | <u>-</u> |
| Total operating revenue and support | <u>2,870,071</u> | <u>7,141</u> | <u>2,877,212</u> |
| Operating expenses | | | |
| Program services | | | |
| Pastoral | 171,077 | - | 171,077 |
| Religious personnel development | 416,933 | - | 416,933 |
| Education | 533,008 | - | 533,008 |
| Social services | 441,886 | - | 441,886 |
| National and local collections | 322,655 | - | 322,655 |
| West Nebraska Register | 330,033 | - | 330,033 |
| Supporting services | | | |
| Administration | 1,323,850 | - | 1,323,850 |
| Fundraising | <u>95,097</u> | <u>-</u> | <u>95,097</u> |
| Total operating expenses | <u>3,634,539</u> | <u>-</u> | <u>3,634,539</u> |
| Change in net assets from operations | <u>(764,468)</u> | <u>7,141</u> | <u>(757,327)</u> |
| Other changes in net assets | | | |
| Investment income (loss) (note E) | 534,827 | (120,032) | 414,795 |
| Loan interest income | 34,223 | - | 34,223 |
| Deposit interest expense | <u>(108,391)</u> | <u>-</u> | <u>(108,391)</u> |
| Total other changes in net assets | <u>460,659</u> | <u>(120,032)</u> | <u>340,627</u> |
| DECREASE IN NET ASSETS | (303,809) | (112,891) | (416,700) |
| Net assets, beginning of year | <u>20,742,142</u> | <u>2,399,286</u> | <u>23,141,428</u> |
| Net assets, end of year | <u>\$ 20,438,333</u> | <u>\$ 2,286,395</u> | <u>\$ 22,724,728</u> |

See accompanying notes to financial statements.

Diocese of Grand Island
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2021

| | Program Services | | | | | | Supporting Services | | | Total Supporting Services | Total |
|--------------------------------------|------------------|---------------------------------|------------|-----------------|--------------------------------|------------------------|------------------------|----------------|-------------|---------------------------|--------------|
| | Pastoral | Religious Personnel Development | Education | Social Services | National and Local Collections | West Nebraska Register | Total Program Services | Administration | Fundraising | | |
| Salaries | \$ 119,933 | \$ 45,436 | \$ 263,128 | \$ 233,623 | \$ - | \$ 128,943 | \$ 791,063 | \$ 399,663 | \$ - | \$ 399,663 | \$ 1,190,726 |
| Fringe benefits | 36,975 | 30,588 | 85,347 | 106,520 | - | 59,193 | 318,623 | 402,348 | - | 402,348 | 720,971 |
| Professional services | 1,081 | 1,501 | 93,388 | 4,298 | - | 8,164 | 108,432 | 30,786 | - | 30,786 | 139,218 |
| Travel | 2,209 | 2,305 | 4,252 | 5,262 | - | 423 | 14,451 | 6,636 | 751 | 7,387 | 21,838 |
| Postage | 1,168 | 1,430 | 708 | 567 | - | 2,756 | 6,629 | 2,791 | 6,461 | 9,252 | 15,881 |
| Advertising and printing | 500 | 1,927 | 1,373 | 794 | - | - | 4,594 | 13,421 | 24,578 | 37,999 | 42,593 |
| Insurance | 635 | - | 9,075 | 1,868 | - | 631 | 12,209 | 19,151 | 8 | 19,159 | 31,368 |
| Utilities and telephone | 1,467 | 2,915 | 36,992 | 659 | - | - | 42,033 | 1,866 | 45 | 1,911 | 43,944 |
| Repairs and maintenance | - | 1,965 | 9,799 | 314 | - | 258 | 12,336 | 10,497 | - | 10,497 | 22,833 |
| Rental and leases | - | - | - | - | - | - | - | 34,817 | - | 34,817 | 34,817 |
| Media | - | 14,779 | 58,547 | 2,000 | - | - | 75,326 | - | 381 | 381 | 75,707 |
| Office supplies | 3,686 | 3,744 | 15,447 | 4,347 | - | 784 | 28,008 | 7,707 | 8,169 | 15,876 | 43,884 |
| Residence and building supply | - | - | 817 | - | - | - | 817 | 1,000 | - | 1,000 | 1,817 |
| Books and subscriptions | 124 | 1,740 | 3,832 | 382 | - | 270 | 6,348 | 7,482 | 110 | 7,592 | 13,940 |
| Dues and memberships | 1,149 | 3,615 | 379 | 960 | - | - | 6,103 | 98,841 | 600 | 99,441 | 105,544 |
| Seminars, meetings, conferences | 2,965 | 123,354 | 4,647 | 12,222 | - | - | 143,188 | 4,294 | 166 | 4,460 | 147,648 |
| Camp expense and adjunct staff | - | - | - | 20,247 | - | - | 20,247 | - | - | - | 20,247 |
| Seminar expense | - | 245,828 | - | - | - | - | 245,828 | - | - | - | 245,828 |
| Program expenses | - | - | 432 | 14,083 | - | 90,180 | 104,695 | 168,006 | - | 168,006 | 272,701 |
| Contributions | - | 2,586 | 1,280 | - | 203,701 | - | 207,567 | 27,881 | 5,000 | 32,881 | 240,448 |
| Capital outlay | - | 202 | 2,474 | - | - | - | 2,676 | - | - | - | 2,676 |
| Building costs | 5,248 | - | 10,496 | 10,496 | - | 5,247 | 31,487 | 20,998 | - | 20,998 | 52,485 |
| Subsidies/suppressed parish expenses | - | - | - | - | - | - | - | 182,738 | - | 182,738 | 182,738 |
| Depreciation | 1,664 | - | 5,193 | 418 | - | 2,627 | 9,902 | 44,434 | - | 44,434 | 54,336 |
| | 178,804 | 483,915 | 607,606 | 419,060 | 203,701 | 299,476 | 2,192,562 | 1,485,357 | 46,269 | 1,531,626 | 3,724,188 |
| Loan interest expense | - | - | - | - | - | - | - | 143,284 | - | 143,284 | 143,284 |
| Total operating expense | \$ 178,804 | \$ 483,915 | \$ 607,606 | \$ 419,060 | \$ 203,701 | \$ 299,476 | \$ 2,192,562 | \$ 1,628,641 | \$ 46,269 | \$ 1,674,910 | \$ 3,867,472 |

See accompanying notes to financial statements.

Diocese of Grand Island
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2020

| | Program Services | | | | | | Total Program Services | Supporting Services | | Total Supporting Services | Total |
|--------------------------------------|-------------------|---------------------------------------|-------------------|--------------------|--------------------------------------|------------------------------|------------------------------|---------------------|------------------|---------------------------------|---------------------|
| | Pastoral | Religious Personnel Development | Education | Social Services | National and Local Collections | West Nebraska Register | | Administration | Fundraising | | |
| Salaries | \$ 112,430 | \$ 35,108 | \$ 180,690 | \$ 232,715 | \$ - | \$ 118,284 | \$ 679,227 | \$ 389,821 | \$ 512 | \$ 390,333 | \$ 1,069,560 |
| Fringe benefits | 27,930 | 18,502 | 95,498 | 113,479 | - | 54,467 | 309,876 | 353,651 | 39 | 353,690 | 663,566 |
| Professional services | 3,676 | 2,418 | 78,042 | 4,494 | - | 18,571 | 107,201 | 62,936 | - | 62,936 | 170,137 |
| Travel | 2,713 | 10,642 | 15,369 | 10,735 | - | 401 | 39,860 | 10,421 | 718 | 11,139 | 50,999 |
| Postage | 1,319 | 1,948 | 1,109 | 1,161 | - | 358 | 5,895 | 2,550 | 4,622 | 7,172 | 13,067 |
| Advertising and printing | 279 | 1,865 | 1,150 | 826 | - | - | 4,120 | 12,971 | 29,620 | 42,591 | 46,711 |
| Insurance | 603 | - | 6,347 | 1,926 | - | 541 | 9,417 | 17,794 | 8 | 17,802 | 27,219 |
| Utilities and telephone | 1,940 | 3,289 | 30,873 | 1,008 | - | - | 37,110 | 2,762 | - | 2,762 | 39,872 |
| Repairs and maintenance | 416 | 2,102 | 20,098 | 1,460 | - | 2,120 | 26,196 | 10,252 | 201 | 10,453 | 36,649 |
| Rental and leases | - | 2,400 | - | 6,000 | - | - | 8,400 | 53,776 | - | 53,776 | 62,176 |
| Media | - | 920 | 43,516 | 3,076 | - | - | 47,512 | - | - | - | 47,512 |
| Office supplies | 2,929 | 892 | 12,383 | 4,883 | - | 168 | 21,255 | 10,747 | 5,895 | 16,642 | 37,897 |
| Residence and building supply | - | - | 2,095 | 7 | - | - | 2,102 | - | - | - | 2,102 |
| Books and subscriptions | 390 | 5,261 | 2,017 | 541 | - | - | 8,209 | 5,762 | 86 | 5,848 | 14,057 |
| Dues and memberships | 1,125 | 3,964 | 817 | 810 | - | - | 6,716 | 100,250 | 600 | 100,850 | 107,566 |
| Seminars, meetings, conferences | 8,951 | 94,185 | 12,811 | 10,671 | - | - | 126,618 | 7,496 | 458 | 7,954 | 134,572 |
| Camp expense and adjunct staff | - | - | - | 200 | - | - | 200 | - | - | - | 200 |
| Seminarian expense | - | 233,437 | - | - | - | - | 233,437 | - | - | - | 233,437 |
| Program expenses | - | - | 1,740 | 38,052 | - | 127,784 | 167,576 | 135,961 | - | 135,961 | 303,537 |
| Contributions | - | - | 2,278 | - | 322,655 | - | 324,933 | 36,100 | 14,820 | 50,920 | 375,853 |
| Capital outlay | - | - | 12,634 | - | - | - | 12,634 | - | - | - | 12,634 |
| Building costs | 4,712 | - | 9,424 | 9,424 | - | 4,712 | 28,272 | 18,847 | - | 18,847 | 47,119 |
| Bad debt expense | - | - | - | - | - | - | - | - | 37,518 | 37,518 | 37,518 |
| Subsidies/suppressed parish expenses | - | - | - | - | - | - | - | 45,411 | - | 45,411 | 45,411 |
| Depreciation | 1,664 | - | 4,117 | 418 | - | 2,627 | 8,826 | 46,342 | - | 46,342 | 55,168 |
| Total operating expense | 171,077 | 416,933 | 533,008 | 441,886 | 322,655 | 330,033 | 2,215,592 | 1,323,850 | 95,097 | 1,418,947 | 3,634,539 |
| Loan interest expense | - | - | - | - | - | - | - | 108,391 | - | 108,391 | 108,391 |
| | <u>\$ 171,077</u> | <u>\$ 416,933</u> | <u>\$ 533,008</u> | <u>\$ 441,886</u> | <u>\$ 322,655</u> | <u>\$ 330,033</u> | <u>\$ 2,215,592</u> | <u>\$ 1,432,241</u> | <u>\$ 95,097</u> | <u>\$ 1,527,338</u> | <u>\$ 3,742,930</u> |

See accompanying notes to financial statements.

Diocese of Grand Island

STATEMENTS OF CASH FLOWS

Years ended June 30,

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Reconciliation of increase (decrease) in net assets to net cash provided by operating activities | | |
| Increase (decrease) in net assets | \$ 4,696,123 | \$ (416,700) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities | | |
| Depreciation | 54,336 | 55,168 |
| (Gain) loss on investments, realized and unrealized | (4,495,394) | 804,055 |
| Debt forgiveness | (187,062) | - |
| (Increase) decrease in assets | | |
| Accounts receivable | (31,431) | (27,491) |
| Interest receivable | 1,078 | 1,606 |
| Promises to give | 29,007 | 31,221 |
| Prepaid expenses | 2,074 | (2,022) |
| Other asset | - | (300) |
| Increase (decrease) in liabilities | | |
| Accounts payable and accrued expenses | (38,893) | 5,585 |
| Unearned revenue | 1,895 | (7,812) |
| Custodial funds payable | 81,486 | (18,670) |
| Promises payable | - | (15,000) |
| Total adjustments to increase (decrease) in net assets | <u>(4,582,904)</u> | <u>826,340</u> |
| Net cash provided by operating activities | <u>113,219</u> | <u>409,640</u> |
| Cash flows from investing activities | | |
| Purchase of investments | (617,651) | (780,397) |
| Proceeds from sale of investments | 421,351 | 779,788 |
| Purchase of property and equipment | (6,706) | (61,692) |
| Net changes in loans receivable | <u>108,738</u> | <u>240,439</u> |
| Net cash provided (used) by investing activities | <u>(94,268)</u> | <u>178,138</u> |
| Cash flows from financing activities | | |
| Proceeds from long-term obligations | - | 185,700 |
| Payments on capital lease | (1,916) | (1,916) |
| Net changes in deposits payable | <u>98,898</u> | <u>179,507</u> |
| Net cash provided by financing activities | <u>96,982</u> | <u>363,291</u> |
| Net increase in cash and cash equivalents | 115,933 | 951,069 |
| Cash and cash equivalents, beginning of year | <u>1,719,690</u> | <u>768,621</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,835,623</u> | <u>\$ 1,719,690</u> |

See accompanying notes to financial statements.

Diocese of Grand Island

NOTES TO FINANCIAL STATEMENTS

The Diocese of Grand Island (the Diocese) is a nonprofit corporation responsible for carrying out the mission of the Church. The Diocese provides an organizational structure through its chancery offices and various ministries to ensure communication, education, cooperation and assistance in the religious needs of the Church throughout western and central Nebraska. The Diocese encompasses the various institutions and organizations which are fiscally responsible to the Bishop of Grand Island. The Diocese consists of various offices including the Diocesan Administrative Office, Pastoral Programs, Religious Personnel Development, Education, Social Services, and the West Nebraska Register.

The content of these financial statements is limited to Diocese of Grand Island (Diocese/The Organization). These financial statements do not include the parishes, schools, religious orders, lay societies and other related entities, which are organized as separate nonprofit corporations, operated separately from the Diocese, and not fiscally responsible to the Bishop.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Cash and Cash Equivalents. The Diocese considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Under Canon Law, the Diocese is required to collect all the Cathedricum assessments so an allowance for doubtful accounts is not provided for this receivable. For all other receivables, management provides for probable uncollectible amounts through a charge to earnings and a credit to valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. No interest is charged on past due receivables.

Promises to Give. Contributions are recognized when the donor makes a promise to give to the Diocese that is, in substance, unconditional. Unconditional promises to give that are expected to be collected or paid in more than one year are recognized at the present value of estimated future cash flows. Management provides for probable uncollectible unconditional promises receivable through a charge to net assets and a credit to a valuation allowance based on prior years' experience and management's analysis of specific promises made. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to unconditional promises receivable. Changes in the valuation allowance have not been material to the financial statements.

Investments. Investments in marketable securities, including equity and debt securities, with readily determinable fair values are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in investment income in the statement of activities. Donated securities are recorded as contributions equal to the fair market value of the securities at the date of the gift.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

Deposit and Loan Fund. The Deposit and Loan fund consists of amounts deposited by diocesan parishes, schools, and other entities as interest bearing deposits. The deposits are then available to be loaned to other parishes subject to interest. The deposit interest rate was 2% and the loan interest rate was 3% during the years ended June 30, 2021 and 2020. The Diocese pays interest every 6 months.

Loans receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to loans receivable. Changes in the valuation allowance have not been material to the financial statements.

Property and Equipment and Depreciation. Property and equipment is stated at cost, if purchased, or at estimated fair value if donated, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the related assets. It is the Diocese's policy to capitalize property and equipment over \$1,500. Lesser amounts are expensed. Estimated useful lives by asset class are as follows:

| | |
|----------------------------|-------------|
| Buildings and improvements | 15-39 years |
| Furniture and equipment | 5-7 years |
| Vehicles | 5 years |

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Deferred Revenue. Program fees received in advance are deferred and then recognized as revenue in the year in which the program is held.

Custodial funds. Custodial funds are amounts from special collections that have been raised by the Diocese but have not yet been disbursed or transmitted.

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

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

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

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

Endowments. The Financial Accounting Standards Board issued guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA were also improved. The State of Nebraska adopted UPMIFA effective September 1, 2007.

The Diocese has determined that the majority of the net assets do not meet the definition of "endowment" under UPMIFA. Management has the ability to distribute as much of the principal of the funds as the board in its sole discretion shall determine. In accordance with UPMIFA, the Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Endowments - Continued.

- 1) The duration and preservation of the fund
- 2) The purposes of the Organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Organization
- 7) The investment policies of the Organization

The Diocese follows investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. The Diocese invests in equity securities and certificates of deposit. The Diocese's spending rate allows for distributions of 3% annually.

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

Assessments. An annual contribution is assessed to parishes in order to cover the centralized ministries and services of the Diocese. Assessment revenue is recognized over time, in the fiscal year it is assessed.

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

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

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

Income Taxes. The Diocese is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity under Section 509(a) under the group tax exemption of the United States Conference of Catholic Bishops (USCCB) and included in the Official Catholic Directory for 2021. As such, income earned in the performance of its exempt purpose is not subject to income tax. Any income earned through activities not related to its exempt purpose is subject to income tax at normal corporate rates. The Diocese qualifies as a church-affiliated organization and is not required to file an annual Federal Return of Organization Exempt from Income Tax (Form 990). However, the West Nebraska Register has advertising income, which is subject to tax on unrelated business income. At June 30, 2021 and 2020, the West Nebraska Register had no tax liability on unrelated business activity.

The Diocese believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Diocese's federal Exempt Organization Business Income Tax Returns (Form 990T) for June 30, 2021, 2020, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Diocese of Grand Island

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Advertising. Advertising costs of the Diocese are expensed as incurred.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - LIQUIDITY AND AVAILABILITY

The Diocese's financial assets available within one year of the statement of financial position date for general expenditure as of June 30, 2021 and 2020 are as follows:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Financial assets, at year-end: | | |
| Cash and cash equivalents | \$ 1,835,623 | \$ 1,719,690 |
| Accounts receivable, net | 569,550 | 538,119 |
| Interest receivable | 2,485 | 3,563 |
| Contributions receivable | 21,922 | 50,929 |
| Investments | 28,904,060 | 24,211,006 |
| Loans receivable | 881,148 | 989,886 |
| | <u>32,214,788</u> | <u>27,513,193</u> |
| Less those unavailable for general expenditure within one year due to contractual or donor-imposed restrictions: | | |
| Amounts held with other donor imposed restrictions | (2,643,532) | (2,286,395) |
| Less management-designated funds: | | |
| Designated for deposit and loan fund | (9,150,517) | (8,237,877) |
| Designated for special projects | (275,903) | (271,430) |
| Designated for programs | <u>(19,143,906)</u> | <u>(15,946,162)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,000,930</u> | <u>\$ 771,329</u> |

As part of its liquidity management, the Diocese has no formal liquidity policy, but maintains enough investments designated for various programs from which transfers could be made to the operating account to cover any expenses due as approved by the Bishop.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable consist of:

| | | |
|------------------------------------|-------------------|-------------------|
| Cathedraticum | \$ 242,973 | \$ 252,077 |
| Health insurance due from parishes | 324,018 | 264,272 |
| Operating | <u>2,559</u> | <u>21,770</u> |
| | <u>\$ 569,550</u> | <u>\$ 538,119</u> |

Diocese of Grand Island

NOTES TO FINANCIAL STATEMENTS

NOTE D - UNCONDITIONAL PROMISES TO GIVE

Promises to give consist of:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|-------------------------|-------------------------|
| Annual Diocesan Appeal | \$ 26,734 | \$ 27,042 |
| Grants receivable | <u>-</u> | <u>32,000</u> |
| | 26,734 | 59,042 |
| Less allowance for doubtful accounts | <u>(4,812)</u> | <u>(8,113)</u> |
| | <u><u>\$ 21,922</u></u> | <u><u>\$ 50,929</u></u> |

Promises to give are expected to be collected within the next year.

NOTE E - INVESTMENTS

Investments at fair market value consist of the following :

| | <u>Cost</u> | <u>Unrealized Gains (losses)</u> | <u>Fair Value</u> |
|-------------------------|-----------------------------|--------------------------------------|-----------------------------|
| <u>June 30, 2021</u> | | | |
| Certificates of deposit | \$ 102,000 | \$ - | \$ 102,000 |
| Mutual funds | <u>21,021,271</u> | <u>7,780,789</u> | <u>28,802,060</u> |
| | <u><u>\$ 21,123,271</u></u> | <u><u>\$ 7,780,789</u></u> | <u><u>\$ 28,904,060</u></u> |
| <u>June 30, 2020</u> | | | |
| Certificates of deposit | \$ 218,399 | \$ - | \$ 218,399 |
| Mutual funds | <u>20,428,564</u> | <u>3,564,043</u> | <u>23,992,607</u> |
| | <u><u>\$ 20,646,963</u></u> | <u><u>\$ 3,564,043</u></u> | <u><u>\$ 24,211,006</u></u> |

Investment income consists of the following:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|----------------------------|--------------------------|
| Interest and dividends | \$ 882,123 | \$ 1,218,850 |
| Net realized gains | 278,649 | 250,658 |
| Net unrealized gains (losses) | <u>4,216,745</u> | <u>(1,054,713)</u> |
| | <u><u>\$ 5,377,517</u></u> | <u><u>\$ 414,795</u></u> |

Diocese of Grand Island

NOTES TO FINANCIAL STATEMENTS

NOTE F - FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodology used for assets and liabilities measured at fair value. There have been no changes in the methodology used during the years ended June 30, 2021 and 2020.

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

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

The following table sets forth the balances of assets measured at fair value on a recurring basis as of June 30, 2021.

| | Fair Value | Quoted Prices in Active Markets for identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|------------------------|----------------------|--|---|--|
| Investments: | | | | |
| Mutual funds | | | | |
| Equity | \$ 13,173,359 | \$ 13,173,359 | \$ - | \$ - |
| Foreign large growth | 1,176,758 | 1,176,758 | - | - |
| Intermediate core bond | 4,221,329 | 4,221,329 | - | - |
| Large blend | 2,100,872 | 2,100,872 | - | - |
| Large growth | 1,218,036 | 1,218,036 | - | - |
| Large value | 2,068,840 | 2,068,840 | - | - |
| Short-term bond | 3,004,138 | 3,004,138 | - | - |
| World allocation | 1,838,728 | 1,838,728 | - | - |
| | <u>\$ 28,802,060</u> | <u>\$ 28,802,060</u> | <u>\$ -</u> | <u>\$ -</u> |

Diocese of Grand Island

NOTES TO FINANCIAL STATEMENTS

NOTE F - FAIR VALUE MEASUREMENTS - CONTINUED

The following table sets forth the balances of assets measured at fair value on a recurring basis as of June 30, 2020.

| | <u>Fair Value</u> | <u>Quoted Prices in Active Markets for identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
|------------------------|-----------------------|---|--|--|
| Investments: | | | | |
| Mutual funds | | | | |
| Equity | \$ 10,490,051 | \$ 10,490,051 | \$ - | \$ - |
| Foreign large growth | 1,021,909 | 1,021,909 | - | - |
| Intermediate core bond | 4,044,456 | 4,044,456 | - | - |
| Large blend | 1,625,258 | 1,625,258 | - | - |
| Large growth | 992,138 | 992,138 | - | - |
| Large value | 1,606,686 | 1,606,686 | - | - |
| Short-term bond | 2,784,228 | 2,784,228 | - | - |
| World allocation | 1,427,881 | 1,427,881 | - | - |
| | <u>\$ 23,992,607</u> | <u>\$ 23,992,607</u> | <u>\$ -</u> | <u>\$ -</u> |

NOTE G - LOANS RECEIVABLE

Loans receivable to parishes as part of the Deposit and Loan program consist of:

| | <u>2021</u> | <u>2020</u> |
|------------------------------|-------------------|-------------------|
| Loan balance | \$ 881,148 | \$ 989,886 |
| Allowance for doubtful loans | <u>-</u> | <u>-</u> |
| | <u>\$ 881,148</u> | <u>\$ 989,886</u> |

Expected repayments on loans receivable for the years following June 30, 2021 are as follows:

| | |
|------------|-------------------|
| 2022 | \$ 103,646 |
| 2023 | 106,790 |
| 2024 | 110,028 |
| 2025 | 113,351 |
| 2026 | 95,155 |
| Thereafter | <u>352,178</u> |
| | <u>\$ 881,148</u> |

Diocese of Grand Island
NOTES TO FINANCIAL STATEMENTS

NOTE H - PROPERTY AND EQUIPMENT

Property and equipment consists of:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|--------------------------|--------------------------|
| Land | \$ 197,511 | \$ 197,511 |
| Buildings and improvements | 1,227,739 | 1,223,311 |
| Office furniture and equipment | 377,312 | 375,032 |
| Vehicles | <u>29,590</u> | <u>29,590</u> |
| | 1,832,152 | 1,825,444 |
| Less accumulated depreciation | <u>(944,684)</u> | <u>(890,348)</u> |
| | <u><u>\$ 887,468</u></u> | <u><u>\$ 935,096</u></u> |

Depreciation expense for the years ended June 30, 2021 and 2020 was \$54,336 and \$55,168, respectively.

NOTE I - NOTE PAYABLE

On April 17, 2020, the Diocese obtained a Paycheck Protection Program (PPP) loan through the Small Business Administration in the amount of \$185,700. The loan was payable in monthly installments with interest at 1%, however the loan was eligible for forgiveness when spent on qualified expenses. The Diocese used the proceeds for qualified expenses and received confirmation that the loan was forgiven on January 6, 2021.

NOTE J - LEASE OBLIGATIONS

Capital Lease

The Diocese entered into a capital lease agreement for a copier in January of 2018, with a cost of \$10,127. Amortization of the copier is included with depreciation expense.

Future minimum payments for the years following June 30, 2021 are as follows:

Year ending June 30,

| | |
|------|------------------------|
| 2022 | \$ 1,916 |
| 2023 | <u>1,756</u> |
| | <u><u>\$ 3,672</u></u> |

Diocese of Grand Island
NOTES TO FINANCIAL STATEMENTS

NOTE J - LEASE OBLIGATIONS - CONTINUED

Operating Leases

The Diocese leased an office building in North Platte. A base rent of \$4,830 per month, January 1, 2011 through December 31, 2020, with a 2% increase each year is in effect. Upon relocating offices to Grand Island, the Diocese began subleasing the space in July of 2017 and received monthly rent of \$2,500 through December 2020.

The Diocese leases office space in Grand Island. Monthly rent is \$1,250 through October 2023.

Future minimum payments for the years following June 30, 2021 are as follows:

Year ending June 30,

| | |
|------|------------------|
| 2022 | \$ 15,000 |
| 2023 | 15,000 |
| 2024 | <u>5,000</u> |
| | <u>\$ 35,000</u> |

Building lease costs were \$34,817 and \$92,176 for the years ended June 30, 2021 and 2020, respectively, before the sublease income of \$30,000 for the year ended June 30, 2020.

NOTE K - NET ASSETS

Net assets without donor restrictions have been designated for a specific use by the Diocese for the following purposes:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Operating funds designated for purposes: | | |
| Communications collection | \$ 26,356 | \$ 27,356 |
| Campaign for Human Development | 68,789 | 63,851 |
| Bishop's special charities | 44,031 | 44,291 |
| Mass stipends | 1,740 | 420 |
| Fr. Kurtenbach estate | 134,987 | 135,512 |
| Net assets designated for deposit and loan program | 3,578,321 | 2,764,660 |
| Net investment in plant | 887,469 | 935,095 |
| Investments to fund future programs | <u>19,143,906</u> | <u>15,946,162</u> |
| | <u>\$23,885,599</u> | <u>\$19,917,347</u> |

Diocese of Grand Island
NOTES TO FINANCIAL STATEMENTS

NOTE K - NET ASSETS - CONTINUED

Net assets with donor restrictions are restricted for the following purposes or periods:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Time and purpose restrictions: | | |
| Kearney Newman future capital expenditures | \$ 778 | \$ 778 |
| Catholic elementary and secondary schools | 22,912 | 27,687 |
| Schools or construction of churches | 4 | 4 |
| Stewardship development position | - | 32,000 |
| Perpetual restrictions: | | |
| Seminary education endowment | 734,285 | 623,879 |
| Priesthood education endowment | 27,924 | 23,726 |
| Retirement endowment | <u>1,857,629</u> | <u>1,578,321</u> |
| | <u>\$ 2,643,532</u> | <u>\$ 2,286,395</u> |

NOTE L - ENDOWMENTS

Changes in endowment net assets are as follows:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> |
|---|---------------------------------------|------------------------------------|
| Balance July 1, 2020 | \$ - | \$ 2,225,926 |
| Investment income | - | 56,291 |
| Net appreciation | - | 393,912 |
| Amounts appropriated for expenditure | <u>-</u> | <u>(56,291)</u> |
| Balance June 30, 2021 | <u>\$ -</u> | <u>\$ 2,619,838</u> |
| Balance July 1, 2019 | \$ - | \$ 2,345,958 |
| Investment income | - | 56,291 |
| Net depreciation | - | (120,032) |
| Amounts appropriated for expenditure | <u>-</u> | <u>(56,291)</u> |
| Balance June 30, 2020 | <u>\$ -</u> | <u>\$ 2,225,926</u> |

NOTE M - INSURANCE PROGRAMS

The Diocese is a member of and participates in a captive mutual insurance company, Catholic Mutual Group, with certain other Roman Catholic diocese and archdioceses. Catholic Mutual Group primarily provides general and auto liability coverage to its members. Members have made an initial investment in and pay premiums to Catholic Mutual Group. Catholic Mutual Group pays a rebate based on prior year's premiums as a return of investment. These rebates are recorded as revenue in the current year. The rebates received were \$22,389 and \$31,297 for the years ended June 30, 2021 and 2020, respectively.

Diocese of Grand Island
NOTES TO FINANCIAL STATEMENTS

NOTE N - RETIREMENT AND PENSION PLANS

Pension Plan - Priests

The Diocese contributes to a noncontributory defined benefit plan and welfare plan administered by the Grand Island Diocesan Priests' Pension and Welfare Board, Inc which is a multiple employer plan. The plan covers priests who are ordained for or incardinated into the Diocese of Grand Island and retire from active service with the Diocese of Grand Island in good canonical standing. In accordance with the Plan of the Priests' Pension and Welfare Fund of the Diocese of Grand Island, the Diocese does not in any way guarantee any assets held by the Plan nor the payment under the Plan to any person. Contributions to the Plan are based on an amount determined by the Administrator's Board on a per participant base. Each parish is assessed this amount for each priest in its parish. The Diocese contributed \$5,040 during each of the years ended June 30, 2021 and 2020.

The plan does not require approval of the Internal Revenue Service as it is a church plan.

Pension Plan - Employees

All full-time, non-priest employees are enrolled in a multiple employer plan, the Diocese Tax Shelter Annuity Plan as allowed under Section 403(b) of the Internal Revenue code. The plan is contributory for employees. The Diocese matches employee contributions up to 2% and contributes an additional 4% employer contribution for qualifying employees. Total employer contributions were \$47,300 and \$44,066 for the years ended June 30, 2021 and 2020, respectively.

NOTE O - RELATED PARTY TRANSACTIONS

The Chancery, by its nature, engages in transactions with other separately incorporated entities within the Diocese of Grand Island. The Diocese receives substantial support from these related organizations. The Diocese administers and acts as a conduit for various collections benefitting these organizations. The Diocese has related party receivables and payables through its Deposit and Loan program.

NOTE P - CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Diocese to a concentration of credit risk principally consist of cash and cash equivalents. Checking accounts at each institution are insured by the FDIC up to \$250,000. At June 30, 2021 and 2020, the bank accounts exceeded federally insured limits by \$1,592,732 and \$1,599,556, respectively. The Diocese has not experienced any losses on such accounts.

NOTE Q - SUBSEQUENT EVENTS

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