

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

June 30, 2022 and 2021

*Financial Statements
and
Independent Auditor's Report*



CPAs & Consultants | Wealth Management

Diocese of Grand Island
Years ended June 30, 2022 and 2021

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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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Diocese of Grand Island and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note P to the financial statements, in 2022, the entity adopted new accounting guidance ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese of Grand Island's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Diocese of Grand Island's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Diocese of Grand Island's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

ABE LLP

Lincoln, Nebraska
May 16, 2023

Diocese of Grand Island

STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents (note A)	\$ 4,519,904	\$ 1,835,623
Accounts receivable (notes A and C)	614,119	569,550
Interest receivable	1,868	2,485
Unconditional promises to give, net (notes A and D)	12,670	21,922
Investments (notes A, E and F)	26,716,441	28,904,060
Prepaid expenses	91,372	41,110
Loans receivable (notes A and G)	718,566	881,148
Property and equipment, net (notes A and H)	833,853	887,468
Other asset	<u>1,250</u>	<u>1,550</u>
Total assets	<u>\$ 33,510,043</u>	<u>\$ 33,144,916</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 16,031	\$ 9,882
Deferred revenue (note A)	65,890	33,305
Deposits payable (note A)	8,078,790	5,567,575
Custodial funds payable (note A)	47,084	94,631
Promises to give payable	-	15,000
Lease payable (note I)	<u>1,756</u>	<u>3,672</u>
Total liabilities	<u>8,209,551</u>	<u>5,724,065</u>
NET ASSETS (notes A and J)		
Without donor restrictions	22,788,705	24,777,319
With donor restrictions	<u>2,511,787</u>	<u>2,643,532</u>
Total net assets	<u>25,300,492</u>	<u>27,420,851</u>
Total liabilities and net assets	<u>\$ 33,510,043</u>	<u>\$ 33,144,916</u>

See accompanying notes to financial statements.

Diocese of Grand Island
STATEMENT OF ACTIVITIES
Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
CHANGES IN NET ASSETS			
Operating revenue and support			
Contributions and bequests	\$ 1,351,518	\$ 517,548	\$ 1,869,066
Fees and assessments	2,117,723	-	2,117,723
Auxiliary revenue	45,328	-	45,328
Insurance rebates	22,114	-	22,114
Net assets released from restrictions	328,851	(328,851)	-
Total operating revenue and support	3,865,534	188,697	4,054,231
Operating expenses			
Program services			
Pastoral	185,465	-	185,465
Religious personnel development	362,889	-	362,889
Education	865,170	-	865,170
Social services	498,580	-	498,580
National and local collections	644,265	-	644,265
West Nebraska Register	250,433	-	250,433
Supporting services			
Administration	1,307,094	-	1,307,094
Fundraising	51,909	-	51,909
Total operating expenses	4,165,805	-	4,165,805
Change in net assets from operations	(300,271)	188,697	(111,574)
Other changes in net assets			
Investment loss (note E)	(1,584,071)	(320,442)	(1,904,513)
Loan interest income	23,791	-	23,791
Deposit interest expense	(128,063)	-	(128,063)
Total other changes in net assets	(1,688,343)	(320,442)	(2,008,785)
DECREASE IN NET ASSETS	(1,988,614)	(131,745)	(2,120,359)
Net assets, beginning of year	24,777,319	2,643,532	27,420,851
Net assets, end of year	<u>\$ 22,788,705</u>	<u>\$ 2,511,787</u>	<u>\$25,300,492</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 FUNCTIONAL EXPENSES
Year ended June 30, 2022

	Program Services						Supporting Services				
	Pastoral	Religious Personnel Development	Education	Social Services	National and Local Collections	West Nebraska Register	Total Program Services	Administration	Fundraising	Total Supporting Services	Total
Salaries	\$ 109,364	\$ 54,932	\$ 206,159	\$ 247,539	\$ -	\$ 79,611	\$ 697,605	\$ 376,905	\$ -	\$ 376,905	\$ 1,074,510
Fringe benefits	38,581	25,278	72,451	109,442	-	52,888	298,640	393,093	-	393,093	691,733
Professional services	4,605	2,805	94,584	10,012	-	3,060	115,066	41,445	-	41,445	156,511
Travel	1,749	13,086	6,941	9,906	-	533	32,215	14,805	-	14,805	47,020
Postage	1,552	960	1,857	686	-	289	5,344	3,046	5,165	8,211	13,555
Advertising and printing	537	2,310	9,775	889	-	-	13,511	19,886	19,420	39,306	52,817
Insurance	683	-	3,097	1,967	-	614	6,361	21,078	-	21,078	27,439
Utilities and telephone	-	5,356	21,406	447	-	-	27,209	1,457	-	1,457	28,666
Repairs and maintenance	-	162	26,164	203	-	-	26,529	-	-	-	26,529
Rental and leases	-	5,525	10,675	-	-	-	16,200	15,292	-	15,292	31,492
Media	1,392	33,231	30,979	2,215	-	-	67,817	-	4,744	4,744	72,561
Office supplies	3,041	7,327	7,059	4,531	-	2,914	24,872	8,922	3,934	12,856	37,728
Residence and building supply	-	-	1,811	-	-	-	1,811	-	-	-	1,811
Books and subscriptions	621	3,339	5,674	502	-	-	10,136	5,156	-	5,156	15,292
Dues and memberships	3,500	3,851	336	550	-	-	8,237	99,836	-	99,836	108,073
Seminars, meetings, conferences	11,920	97,492	9,346	11,517	-	342	130,617	10,233	-	10,233	140,850
Camp expense and adjunct staff	-	-	-	55,329	-	-	55,329	-	-	-	55,329
Seminarian expense	-	105,763	-	-	-	-	105,763	-	-	-	105,763
Program expenses	1,000	1,472	2,809	31,915	-	102,299	139,495	146,756	-	146,756	286,251
Contributions	-	-	338,341	-	644,265	-	982,606	27,895	12,003	39,898	1,022,504
Capital outlay	-	-	4,585	-	-	-	4,585	-	-	-	4,585
Building costs	5,256	-	5,256	10,512	-	5,256	26,280	26,281	-	26,281	52,561
Bad debt expense	-	-	-	-	-	-	-	-	6,643	6,643	6,643
Subsidies/suppressed parish expenses	-	-	-	-	-	-	-	52,286	-	52,286	52,286
Depreciation	1,664	-	5,510	418	-	2,627	10,219	42,722	-	42,722	52,941
	185,465	362,889	864,815	498,580	644,265	250,433	2,806,447	1,307,094	51,909	1,359,003	4,165,450
Loan interest expense	-	-	355	-	-	-	355	128,063	-	128,063	128,418
Total operating expense	\$ 185,465	\$ 362,889	\$ 865,170	\$ 498,580	\$ 644,265	\$ 250,433	\$ 2,806,802	\$ 1,435,157	\$ 51,909	\$ 1,487,066	\$ 4,293,868

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
Seminarian 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

STATEMENTS OF CASH FLOWS

Years ended June 30,

	<u>2022</u>	<u>2021</u>
Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities		
Increase (decrease) in net assets	\$ (2,120,359)	\$ 4,696,123
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	52,941	54,336
(Gain) loss on investments, realized and unrealized	3,382,150	(4,495,394)
Loss on disposal of property and equipment	674	-
Debt forgiveness	-	(187,062)
(Increase) decrease in assets		
Accounts receivable	(44,569)	(31,431)
Interest receivable	617	1,078
Promises to give	9,252	29,007
Prepaid expenses	(50,262)	2,074
Other asset	300	-
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	6,149	(38,893)
Unearned revenue	32,585	1,895
Custodial funds payable	(47,547)	81,486
Promises payable	(15,000)	-
Total adjustments to increase (decrease) in net assets	<u>3,327,290</u>	<u>(4,582,904)</u>
Net cash provided by operating activities	<u>1,206,931</u>	<u>113,219</u>
Cash flows from investing activities		
Purchase of investments	(1,918,934)	(617,651)
Proceeds from sale of investments	724,403	421,351
Purchase of property and equipment	-	(6,706)
Net changes in loans receivable	<u>162,582</u>	<u>108,738</u>
Net cash used by investing activities	<u>(1,031,949)</u>	<u>(94,268)</u>
Cash flows from financing activities		
Payments on capital lease	(1,916)	(1,916)
Net changes in deposits payable	<u>2,511,215</u>	<u>98,898</u>
Net cash provided by financing activities	<u>2,509,299</u>	<u>96,982</u>
Net increase in cash and cash equivalents	2,684,281	115,933
Cash and cash equivalents, beginning of year	<u>1,835,623</u>	<u>1,719,690</u>
Cash and cash equivalents, end of year	<u><u>\$ 4,519,904</u></u>	<u><u>\$ 1,835,623</u></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 Cathedralium 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, 2022 and 2021. 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 Liabilities. 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 was \$65,890, \$33,305, and \$31,410 for the years ended June 30, 2022, 2021, and 2020.

In-Kind Donations. In-kind donations are recorded as contributions at their estimated fair values at the date of donation. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would have otherwise been purchased by the Diocese. It is the Diocese's policy to sell all contributed assets immediately upon receipt at auction or for salvage unless the asset is restricted for use in a specific program by the donor.

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 2022. 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, 2022 and 2021, 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, 2022, 2021, and 2020 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, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 4,519,904	\$ 1,835,623
Accounts receivable, net	614,119	569,550
Interest receivable	1,868	2,485
Contributions receivable	12,670	21,922
Investments	26,716,441	28,904,060
Loans receivable	<u>718,566</u>	<u>881,148</u>
	32,583,568	32,214,788
Less those unavailable for general expenditure within one year due to contractual or donor-imposed restrictions:		
Amounts held with other donor imposed restrictions	(2,511,787)	(2,643,532)
Less management-designated funds:		
Designated for deposit and loan fund	(11,302,284)	(9,150,517)
Designated for special projects	(736,131)	(275,903)
Designated for programs	<u>(17,370,656)</u>	<u>(19,143,906)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 662,710</u>	<u>\$ 1,000,930</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.

Diocese of Grand Island

NOTES TO FINANCIAL STATEMENTS

NOTE C - ACCOUNTS RECEIVABLE

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Accounts receivable consist of:			
Cathedraticum	\$ 285,095	\$ 242,973	\$ 252,077
Health insurance due from parishes	328,574	324,018	264,272
Operating	<u>450</u>	<u>2,559</u>	<u>21,770</u>
	<u>\$ 614,119</u>	<u>\$ 569,550</u>	<u>\$ 538,119</u>

NOTE D - UNCONDITIONAL PROMISES TO GIVE

Promises to give consist of:

	<u>2022</u>	<u>2021</u>
Annual Diocesan Appeal	\$ 14,078	\$ 26,734
Less allowance for doubtful accounts	<u>(1,408)</u>	<u>(4,812)</u>
	<u>\$ 12,670</u>	<u>\$ 21,922</u>

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

Diocese of Grand Island
NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS

Investments at fair market value consist of the following :

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Fair Value</u>
<u>June 30, 2022</u>			
Certificates of deposit	\$ 67,000	\$ -	\$ 67,000
Mutual funds	<u>22,251,175</u>	<u>4,398,266</u>	<u>26,649,441</u>
	<u>\$ 22,318,175</u>	<u>\$ 4,398,266</u>	<u>\$ 26,716,441</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>\$ 21,123,271</u>	<u>\$ 7,780,789</u>	<u>\$ 28,904,060</u>

Investment income (loss) consists of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 1,477,637	\$ 882,123
Net realized gains	374	278,649
Net unrealized gains (losses)	<u>(3,382,524)</u>	<u>4,216,745</u>
	<u>\$ (1,904,513)</u>	<u>\$ 5,377,517</u>

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, 2022 and 2021.

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.

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, 2022.

	<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	\$ 12,179,682	\$ 12,179,682	\$ -	\$ -
Foreign large growth	859,222	859,222	-	-
Intermediate core bond	4,166,628	4,166,628	-	-
Large blend	1,743,855	1,743,855	-	-
Large growth	916,805	916,805	-	-
Large value	1,945,445	1,945,445	-	-
Short-term bond	3,055,187	3,055,187	-	-
World allocation	1,782,617	1,782,617	-	-
	<u>\$ 26,649,441</u>	<u>\$ 26,649,441</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<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	\$ 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 G - LOANS RECEIVABLE

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

	<u>2022</u>	<u>2021</u>
Loan balance	\$ 718,566	\$ 881,148

Expected repayments on loans receivable for the years following June 30, 2022 are as follows:

2022	\$ 176,459
2023	116,597
2024	120,134
2025	102,144
2026	47,638
Thereafter	<u>155,594</u>
	<u>\$ 718,566</u>

NOTE H - PROPERTY AND EQUIPMENT

Property and equipment consists of:

	<u>2022</u>	<u>2021</u>
Land	\$ 197,511	\$ 197,511
Buildings and improvements	1,227,739	1,227,739
Office furniture and equipment	370,172	377,312
Vehicles	<u>29,590</u>	<u>29,590</u>
	1,825,012	1,832,152
Less accumulated depreciation	<u>(991,159)</u>	<u>(944,684)</u>
	<u>\$ 833,853</u>	<u>\$ 887,468</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$52,941 and \$54,336, respectively.

NOTE I - 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, 2022 are as follows:

<u>Year ending June 30,</u>	
2023	<u>\$ 1,756</u>

Diocese of Grand Island
NOTES TO FINANCIAL STATEMENTS

NOTE I - LEASE OBLIGATIONS – CONTINUED

Operating Leases

The Diocese leases office equipment for \$320 per month through October 2027. The Diocese also leases various building and storage space through 2027.

Future minimum payments for the years following June 30, 2022 are as follows:

<u>Year ending June 30,</u>	<u>Equipment</u>	<u>Building</u>	<u>Total</u>
2023	\$ 3,842	\$ 20,700	\$ 24,542
2024	3,842	10,700	14,542
2025	3,842	5,700	9,542
2026	3,842	5,700	9,542
2027	962	5,700	6,662
	<u>\$ 16,330</u>	<u>\$ 48,500</u>	<u>\$ 64,830</u>

Lease expense was \$31,492 and \$34,817 for the years ended June 30, 2022 and 2021, respectively.

NOTE J - NET ASSETS

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

	<u>2022</u>	<u>2021</u>
Operating funds designated for purposes:		
Communications collection	\$ 36,298	\$ 26,356
Campaign for Human Development	78,550	68,789
Bishop's special charities	62,851	44,031
Mass stipends	200	1,740
Fr. Kurtenbach estate	134,987	134,987
Chamberlain estate	312,382	-
Bridges Trust grant	111,363	-
Net assets designated for deposit and loan program	3,216,789	3,578,321
Net investment in property, plant and equipment	833,853	887,469
Investments to fund future programs	<u>17,370,656</u>	<u>19,143,906</u>
	<u>\$22,157,929</u>	<u>\$23,885,599</u>

Diocese of Grand Island
NOTES TO FINANCIAL STATEMENTS

NOTE J - NET ASSETS – CONTINUED

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

	<u>2022</u>	<u>2021</u>
Time and purpose restrictions:		
Kearney Newman future capital expenditures	\$ 143,613	\$ 778
Catholic elementary and secondary schools	17,711	22,912
Schools or construction of churches	4	4
Stewardship development position	48,700	-
Perpetual restrictions:		
Seminary education endowment	647,218	734,285
Priesthood education endowment	24,503	27,924
Retirement endowment	<u>1,630,038</u>	<u>1,857,629</u>
	<u>\$ 2,511,787</u>	<u>\$ 2,643,532</u>

NOTE K - ENDOWMENTS

Changes in endowment net assets are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Balance July 1, 2021	\$ -	\$ 2,619,838
Contributions	-	2,363
Investment income	-	76,248
Net appreciation	-	(329,493)
Amounts appropriated for expenditure	<u>-</u>	<u>(56,291)</u>
Balance June 30, 2022	<u>\$ -</u>	<u>\$ 2,312,665</u>
Balance July 1, 2020	\$ -	\$ 2,225,926
Investment income	-	56,291
Net depreciation	-	393,912
Amounts appropriated for expenditure	<u>-</u>	<u>(56,291)</u>
Balance June 30, 2021	<u>\$ -</u>	<u>\$ 2,619,838</u>

NOTE L - 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 \$22,114 and \$22,389 for the years ended June 30, 2022 and 2021, respectively.

Diocese of Grand Island
NOTES TO FINANCIAL STATEMENTS

NOTE M - 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 \$-0- and \$5,040 for the years ended June 30, 2022 and 2021, respectively. Starting in 2020 the board paused funding the plan as it was determined it was fully funded.

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 \$43,748 and \$47,300 for the years ended June 30, 2022 and 2021, respectively.

NOTE N - 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 O - 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, 2022 and 2021, the bank accounts exceeded federally insured limits by \$586,654 and \$1,592,732, respectively. The Diocese has not experienced any losses on such accounts.

Diocese of Grand Island
NOTES TO FINANCIAL STATEMENTS

NOTE P – NEW ACCOUNTING STANDARD

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update clarifies the presentation and disclosure of contributed nonfinancial assets, such as land, buildings, equipment, the use of fixed assets or utilities, materials and supplies, intangible assets, certain services, and unconditional promises of those assets; however, the ASU does not change the existing recognition and measurement requirements for contributed nonfinancial assets. Contributions may be disclosed using varying terms such as gifts, donations, or gifts in-kind. The standard is required to be applied retrospectively to all periods presented and is effective for reporting periods commencing after June 15, 2021.

The Diocese adopted the standard, effective for the year ended June 30, 2022, using a retrospective application method for all periods presented. The in-kind donation policies disclosed in Note A reflect the impact of the adoption of the standard. See note Q for further disclosure of the Diocese's in-kind activities.

NOTE Q - IN-KIND CONTRIBUTIONS

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized as revenue within the statement of activities consist of the following:

	<u>2022</u>	<u>2021</u>
Rent	\$ 13,800	\$ 13,800
Repairs and maintenance	<u>-</u>	<u>6,601</u>
	<u>\$ 13,800</u>	<u>\$ 20,401</u>

Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. All assets were valued according to the what the cost would have been for the Diocese to purchase on their own.

NOTE R - SUBSEQUENT EVENTS

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