

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

***June 30, 2020 and 2019***

*Financial Statements  
and  
Independent Auditor's Report*



CPAs & Consultants | Wealth Management

Diocese of Grand Island

Years ended June 30, 2020 and 2019

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statement of Cash Flows	8
Notes to Financial Statements	9-22





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 statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2020, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note T to the financial statements, during the year ended June 30, 2020, the organization adopted new accounting guidance ASU 2014-09, *Revenue from Contracts with Customers*, ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. Our opinion is not modified with respect to this matter.

**Other Matter**

The financial statements of the Diocese of Grand Island for the year ended June 30, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on March 13, 2020.

Handwritten signature in black ink that reads "HBE LLP". The letters are stylized and connected.

Lincoln, Nebraska  
March 11, 2021

Diocese of Grand Island

STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents (note A)	\$ 1,719,690	\$ 768,621
Accounts receivable (notes A and C)	538,119	510,628
Interest receivable	3,563	5,169
Unconditional promises to give, net (notes A and D)	50,929	82,150
Investments (notes A, E and F)	24,211,006	25,014,452
Prepaid expenses	43,184	41,162
Loans receivable (notes A and G)	989,886	1,230,325
Property and equipment, net (notes A and H)	935,096	928,572
Other asset	1,550	1,250
Total assets	\$ 28,493,023	\$ 28,582,329

LIABILITIES AND NET ASSETS

<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 48,775	\$ 43,190
Deferred revenue (note A)	31,410	39,222
Deposits payable (note A)	5,468,677	5,289,170
Custodial funds payable (note A)	13,145	31,815
Promises to give payable	15,000	30,000
Note payable (note I)	185,700	-
Lease payable (note J)	5,588	7,504
Total liabilities	5,768,295	5,440,901
<b>NET ASSETS (notes A and K)</b>		
Without donor restrictions	20,438,333	20,742,142
With donor restrictions	2,286,395	2,399,286
Total net assets	22,724,728	23,141,428
Total liabilities and net assets	\$ 28,493,023	\$ 28,582,329

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
<b>CHANGES IN NET ASSETS</b>			
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	353,989	(353,989)	-
Total operating revenue and support	2,870,071	7,141	2,877,212
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	95,097	-	95,097
Total operating expenses	3,634,539	-	3,634,539
Change in net assets from operations	(764,468)	7,141	(757,327)
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	(108,391)	-	(108,391)
Total other changes in net assets	460,659	(120,032)	340,627
<b>DECREASE IN NET ASSETS</b>	(303,809)	(112,891)	(416,700)
Net assets, beginning of year	20,742,142	2,399,286	23,141,428
Net assets, end of year	\$ 20,438,333	\$ 2,286,395	\$22,724,728

See accompanying notes to financial statements.

Diocese of Grand Island  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>CHANGES IN NET ASSETS</b>			
Operating revenue and support			
Contributions and bequests	\$ 652,667	\$ 305,308	\$ 957,975
Fees and assessments	2,176,684	-	2,176,684
Auxiliary revenue	91,976	-	91,976
Insurance rebates	23,642	-	23,642
Net assets released from restrictions	400,970	(400,970)	-
Total operating revenue and support	3,345,939	(95,662)	3,250,277
Operating expenses			
Program services			
Pastoral	173,611	-	173,611
Religious personnel development	409,017	-	409,017
Education	535,555	-	535,555
Social services	479,348	-	479,348
National and local collections	453,074	-	453,074
West Nebraska Register	306,391	-	306,391
Supporting services			
Administration	1,623,023	-	1,623,023
Fundraising	41,629	-	41,629
Total operating expenses	4,021,648	-	4,021,648
Change in net assets from operations	(675,709)	(95,662)	(771,371)
Other changes in net assets			
Investment income (loss) (note E)	1,543,713	(19,449)	1,524,264
Loan interest income	21,478	-	21,478
Deposit interest expense	(116,153)	-	(116,153)
Loan bad debt expense	(107,040)	-	(107,040)
Total other changes in net assets	1,341,998	(19,449)	1,322,549
<b>INCREASE (DECREASE) IN NET ASSETS</b>	666,289	(115,111)	551,178
Net assets, beginning of year	20,075,853	2,514,397	22,590,250
Net assets, end of year	\$ 20,742,142	\$ 2,399,286	\$23,141,428

See accompanying notes to financial statements.

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

	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	\$ 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
	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
Total operating expense	\$ 171,077	\$ 416,933	\$ 533,008	\$ 441,886	\$ 322,655	\$ 330,033	\$ 2,215,592	\$ 1,432,241	\$ 95,097	\$ 1,527,338	\$ 3,742,930

See accompanying notes to financial statements.



Diocese of Grand Island  
STATEMENT OF FUNCTIONAL EXPENSES  
Year ended June 30, 2019

	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	\$ 108,570	\$ 35,496	\$ 195,785	\$ 203,509	\$ -	\$ 117,019	\$ 660,379	\$ 371,250	\$ -	\$ 371,250	\$ 1,031,629
Fringe benefits	30,441	13,422	90,408	115,247	-	51,800	301,318	325,629	-	325,629	626,947
Professional services	2,316	4,515	84,114	9,941	24,182	16,254	141,322	21,831	23,619	45,450	186,772
Travel	5,743	6,348	15,086	6,038	-	-	33,215	11,867	-	11,867	45,082
Postage	1,027	580	1,496	1,384	-	60,778	65,265	2,031	4,127	6,158	71,423
Advertising and printing	-	873	7,922	576	-	51,793	61,164	10,446	13,883	24,329	85,493
Insurance	879	-	6,646	2,469	-	823	10,817	14,752	-	14,752	25,569
Utilities and telephone	1,167	430	32,215	827	-	480	35,119	2,432	-	2,432	37,551
Repairs and maintenance	274	-	21,930	1,014	-	1,760	24,978	9,108	-	9,108	34,086
Rental and leases	-	2,100	-	10,668	-	-	12,768	46,810	-	46,810	59,578
Media	-	1,105	22,052	3,129	-	-	26,286	-	-	-	26,286
Office supplies	4,551	610	4,619	3,770	-	400	13,950	11,852	-	11,852	25,802
Residence and building supply	-	-	5,753	-	-	-	5,753	-	-	-	5,753
Books and subscriptions	646	703	1,984	376	-	-	3,709	6,588	-	6,588	10,297
Dues and memberships	1,035	2,679	2,357	1,170	-	444	7,685	88,488	-	88,488	96,173
Seminars, meetings, conferences	10,345	52,006	17,311	21,118	-	-	100,780	14,622	-	14,622	115,402
Camp expense and adjunct staff	-	-	-	66,255	-	-	66,255	-	-	-	66,255
Seminarian expense	-	288,150	-	-	-	-	288,150	-	-	-	288,150
Program expenses	-	-	3,639	19,560	428,892	-	452,091	135,784	-	135,784	587,875
Contributions	-	-	1,773	-	-	-	1,773	96,848	-	96,848	98,621
Capital outlay	-	-	10,958	711	-	-	11,669	-	-	-	11,669
Building costs	4,705	-	6,468	10,781	-	3,527	25,481	17,642	-	17,642	43,123
Bad debt expense	-	-	-	-	-	-	-	393,897	-	393,897	393,897
Depreciation	1,912	-	3,039	805	-	1,313	7,069	41,146	-	41,146	48,215
<b>Total operating expense</b>	<b>173,611</b>	<b>409,017</b>	<b>535,555</b>	<b>479,348</b>	<b>453,074</b>	<b>306,391</b>	<b>2,356,996</b>	<b>1,623,023</b>	<b>41,629</b>	<b>1,664,652</b>	<b>4,021,648</b>
Loan interest expense	-	-	-	-	-	-	-	116,153	-	116,153	116,153
Loan bad debt expense	-	-	-	-	-	-	-	107,040	-	107,040	107,040
	<u>\$ 173,611</u>	<u>\$ 409,017</u>	<u>\$ 535,555</u>	<u>\$ 479,348</u>	<u>\$ 453,074</u>	<u>\$ 306,391</u>	<u>\$ 2,356,996</u>	<u>\$ 1,846,216</u>	<u>\$ 41,629</u>	<u>\$ 1,887,845</u>	<u>\$ 4,244,841</u>

See accompanying notes to financial statements.

Diocese of Grand Island

STATEMENTS OF CASH FLOWS

Years ended June 30,

	<u>2020</u>	<u>2019</u>
Reconciliation of increase (decrease) in net assets to net cash provided by operating activities		
Increase (decrease) in net assets	\$ (416,700)	\$ 551,178
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	55,168	48,215
(Gain) loss on investments, realized and unrealized	804,055	(141,783)
(Increase) decrease in assets		
Accounts receivable	(27,491)	21,532
Interest receivable	1,606	(4,428)
Promises to give	31,221	36,540
Prepaid expenses	(2,022)	(10,790)
Other asset	(300)	(1,250)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	5,585	4,161
Unearned revenue	(7,812)	38,722
Custodial funds payable	(18,670)	(11,588)
Promises payable	(15,000)	30,000
Total adjustments to increase (decrease) in net assets	<u>826,340</u>	<u>9,331</u>
Net cash provided by operating activities	<u>409,640</u>	<u>560,509</u>
Cash flows from investing activities		
Purchase of investments	(780,397)	(1,142,196)
Proceeds from sale of investments	779,788	1,495,870
Purchase of property and equipment	(61,692)	(74,016)
Net changes in loans receivable	<u>240,439</u>	<u>(591,483)</u>
Net cash provided (used) by investing activities	<u>178,138</u>	<u>(311,825)</u>
Cash flows from financing activities		
Proceeds from long-term obligations	185,700	-
Payments on capital lease	(1,916)	(1,915)
Net changes in deposits payable	<u>179,507</u>	<u>(621,822)</u>
Net cash provided (used) by financing activities	<u>363,291</u>	<u>(623,737)</u>
Net increase (decrease) in cash and cash equivalents	951,069	(375,053)
Cash and cash equivalents, beginning of year	<u>768,621</u>	<u>1,143,674</u>
Cash and cash equivalents, end of year	<u>\$ 1,719,690</u>	<u>\$ 768,621</u>
Supplemental information:		
Property and equipment included in accounts payable	<u>\$ -</u>	<u>\$ 13,916</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, 2020 and 2019. 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 assets include accounts receivable. 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 2020. 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, 2020 and 2019, 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, 2020, 2019, and 2018 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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 1,719,690	\$ 768,621
Accounts receivable, net	538,119	510,628
Interest receivable	3,563	5,169
Contributions receivable	50,929	82,150
Investments	24,211,006	25,014,452
Loans receivable	<u>989,886</u>	<u>1,230,325</u>
	27,513,193	27,611,345
Less those unavailable for general expenditure within one year due to contractual or donor-imposed restrictions:		
Amounts held with other donor imposed restrictions	(2,286,395)	(2,399,286)
Less management-designated funds:		
Designated for deposit and loan fund	(8,237,877)	(8,111,635)
Designated for special projects	(271,430)	(267,303)
Designated for programs	<u>(15,946,162)</u>	<u>(16,317,192)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 771,329</u>	<u>\$ 515,929</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	\$ 252,077	\$ 281,460
Health insurance due from parishes	264,272	220,150
Operating	<u>21,770</u>	<u>9,018</u>
	<u>\$ 538,119</u>	<u>\$ 510,628</u>

Diocese of Grand Island

NOTES TO FINANCIAL STATEMENTS

**NOTE D - UNCONDITIONAL PROMISES TO GIVE**

Promises to give consist of:

	<u>2020</u>	<u>2019</u>
Annual Diocesan Appeal	\$ 27,042	\$ 457,292
Grants receivable	<u>32,000</u>	<u>25,000</u>
	59,042	482,292
Less allowance for doubtful accounts	<u>(8,113)</u>	<u>(400,142)</u>
	<u>\$ 50,929</u>	<u>\$ 82,150</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, 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>\$20,646,963</u>	<u>\$ 3,564,043</u>	<u>\$24,211,006</u>
<u>June 30, 2019</u>			
Certificates of deposit	\$ 285,055	\$ (86)	\$ 284,969
Mutual funds	<u>20,110,642</u>	<u>4,618,841</u>	<u>24,729,483</u>
	<u>\$20,395,697</u>	<u>\$ 4,618,755</u>	<u>\$25,014,452</u>

Investment income consists of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 1,218,850	\$ 1,382,481
Net realized gains	250,658	184,699
Net unrealized losses	<u>(1,054,713)</u>	<u>(42,916)</u>
	<u>\$ 414,795</u>	<u>\$ 1,524,264</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, 2020 and 2019.

*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, 2020.

	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	\$ 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>

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, 2019.

	<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	\$ 10,942,376	\$ 10,942,376	\$ -	\$ -
Foreign large growth	1,046,497	1,046,497	-	-
Intermediate core bond	3,745,960	3,745,960	-	-
Large blend	1,787,293	1,787,293	-	-
Large growth	1,196,665	1,196,665	-	-
Large value	1,837,016	1,837,016	-	-
Short-term bond	2,649,699	2,649,699	-	-
World allocation	1,523,977	1,523,977	-	-
	<u>\$ 24,729,483</u>	<u>\$ 24,729,483</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE G - LOANS RECEIVABLE**

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

	<u>2020</u>	<u>2019</u>
Loan balance	\$ 989,886	\$ 1,230,325
Allowance for doubtful loans	<u>-</u>	<u>-</u>
	<u>\$ 989,886</u>	<u>\$ 1,230,325</u>

Expected repayments on loans receivable for the years following June 30, 2020 are as follows:

2021	\$ 108,738
2022	103,646
2023	106,790
2024	110,028
2025	98,464
Thereafter	<u>462,220</u>
	<u>\$ 989,886</u>

Diocese of Grand Island

NOTES TO FINANCIAL STATEMENTS

**NOTE H - PROPERTY AND EQUIPMENT**

Property and equipment consists of:

	2020	2019
Land	\$ 197,511	\$ 197,511
Buildings and improvements	1,223,311	1,181,524
Office furniture and equipment	375,032	376,268
Vehicles	29,590	29,590
	1,825,444	1,784,893
Less accumulated depreciation	(890,348)	(856,321)
	\$ 935,096	\$ 928,572

Depreciation expense for the years ended June 30, 2020 and 2019 was \$55,168 and \$48,215, respectively.

**NOTE I - NOTE PAYABLE**

On April 17, 2020, the Diocese obtained a Payroll 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 may be eligible for partial or complete 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, 2020 are as follows:

<u>Year ending June 30,</u>	
2021	\$ 1,916
2022	1,916
2023	1,756
	\$ 5,588

Diocese of Grand Island  
NOTES TO FINANCIAL STATEMENTS

**NOTE J - LEASE OBLIGATIONS - CONTINUED**

**Operating Leases**

The Diocese leases 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 receiving monthly rent of \$2,500 with a current agreement 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, 2020 are as follows:

Year ending June 30,

2021	\$	49,636
2022		15,000
2023		15,000
2024		<u>5,000</u>
		<u>\$ 84,636</u>

Future minimum sublease income for the year following June 30, 2020 is \$15,000.

Building lease costs were \$92,176 and \$84,723 for the years ended June 30, 2020 and 2019, respectively, before the sublease income of \$30,000.

**NOTE K - NET ASSETS**

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

	<u>2020</u>		<u>2019</u>
Operating funds designated for purposes:			
Communications collection	\$ 27,356	\$	21,070
Campaign for Human Development	63,851		59,956
Bishop's special charities	44,291		39,870
Mass stipends	420		2,350
Fr. Kurtenbach estate	135,512		144,057
Net assets designated for deposit and loan program	2,764,660		1,898,691
Net investment in plant	935,095		928,571
Investments to fund future programs	<u>15,946,162</u>		<u>16,317,192</u>
	<u>\$19,917,347</u>		<u>\$19,411,757</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:

	2020	2019
Time and purpose restrictions:		
Kearney Newman future capital expenditures	\$ 778	\$ 778
Catholic elementary and secondary schools	27,687	27,546
Schools or construction of churches	4	4
Stewardship development position	32,000	25,000
Perpetual restrictions:		
Seminary education endowment	623,879	656,943
Priesthood education endowment	23,726	24,262
Retirement endowment	1,578,321	1,664,753
	\$ 2,286,395	\$ 2,399,286

**NOTE L - ENDOWMENTS**

Changes in donor restricted endowment net assets are as follows:

Balance July 1, 2019	\$ 2,345,958
Investment income	56,291
Net depreciation	(120,032)
Amounts appropriated for expenditure	(56,291)
Balance June 30, 2020	\$ 2,225,926
Balance July 1, 2018	\$ 2,365,407
Investment income	56,291
Net depreciation	(19,449)
Amounts appropriated for expenditure	(56,291)
Balance June 30, 2019	\$ 2,345,958

**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 \$31,297 and \$23,642 for the years ended June 30, 2020 and 2019, respectively.

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 and \$7,040 during the years ended June 30, 2020 and 2019, respectively. The Diocese contributions were 8.6% and 7.8% of the total plan contributions during the years ended June 30, 2020 and 2019, respectively.

Funded status information is not available as of June 30, 2020 or 2019. However, at the time of the last actuarial valuation at June 30, 2015, the plan 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 \$44,066 and \$31,819 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, the bank accounts exceeded federally insured limits by \$1,599,556 and \$1,057,917, respectively. The Diocese has not experienced any losses on such accounts.

**NOTE Q - OBLIGATIONS UNDER GUARANTEES**

The Diocese is a guarantor on a loan obtained by St. James Church of Kearney. The loan originated for \$1,636,097 and is due July 2021. The amount outstanding at June 30, 2020 is \$170,691. At this time, the Church is current on the loan and it is not probable that the Diocese will be liable for the obligation, therefore, there is no recorded liability for potential losses under this guarantee.

Diocese of Grand Island

NOTES TO FINANCIAL STATEMENTS

**NOTE R - CONTINGENCIES**

In 2018, the Nebraska Attorney General's Office asked Nebraska's three Catholic dioceses to provide records of allegations and investigations related to clergy misconduct going back the last 40 years. The Diocese of Grand Island is cooperating in the investigation with the Attorney General. As of the date of this report there are no open criminal or civil cases. Therefore, no liability for contingencies has been recorded.

**NOTE S - RISKS AND UNCERTAINTIES**

The COVID-19 (coronavirus) outbreak continues to prompt global health concerns. Consequently, it is possible the Diocese could be impacted by the resulting volatility in the economy beyond the financial statement date. Specifically, the Diocese could experience decreases in donor giving, declines in parish attendance, and declines in investment markets.

**NOTE T - NEW ACCOUNTING STANDARDS**

*Contributions*

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounting for as contributions or exchange transactions and determining whether a contribution is conditional. For nonexchange transactions, the contribution guidance in ASC 958 is typically applied, whereas for exchange transactions, an entity should apply ASC 606 or other appropriate guidance. The Diocese has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

*Revenue Recognition*

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 provides a single model for entities to use in accounting for revenue arising from contracts with customers. The new standard also requires expanded disclosures regarding the qualitative and quantitative information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB has subsequently issued additional, clarifying standards to address issues arising from implementation of the new revenue recognition standard. ASU 2014-09 and all subsequently issued amendments, collectively "ASC 606," is effective for annual reporting periods beginning after December 15, 2018. The standard permits the use of either a full retrospective or a modified retrospective approach.

The Diocese adopted ASC 606 on July 1, 2019 using the modified retrospective method. The amount and timing of revenue recognition was not impacted by the new standard, and therefore, no cumulative adjustment was recognized in net assets upon adoption. The revenue recognition policies in Note A have been enhanced to reflect the adoption of the standard.

NOTES TO FINANCIAL STATEMENTS

**NOTE T - NEW ACCOUNTING STANDARDS - CONTINUED**

*Fair Value Measurement*

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU removed some disclosures; modified others, and added some new disclosure requirements. The ASU is effective for all entities for fiscal years beginning after December 15, 2019; however, the Diocese early adopted the standard, effective for the year ended June 30, 2020, as permitted by the standard. See Note F for disclosure of the Diocese's assets and liabilities measured at fair value.

**NOTE U - RECLASSIFICATIONS**

Certain amounts in the year ended June 30, 2019 financial statements have been reclassified to conform with current year presentation. These reclassifications had no effect on the June 30, 2019 statement of activities.

**NOTE V - SUBSEQUENT EVENTS**

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

On January 6, 2021, the Diocese received confirmation that the Payroll Protection Program loan was forgiven. See Note I.