ST. MARY VILLA, INC.

Financial Statements and Supplementary Information

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

LBMC MAKE A GOOD BUSINESS BETTER

ST. MARY VILLA, INC.

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LBMC MAKE A GOOD BUSINESS BETTER

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
St. Mary Villa, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of St. Mary Villa, Inc. (the "Organization") which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 St. Mary Villa, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

LBMC, PC

Brentwood, Tennessee
January 19, 2022

ST. MARY VILLA, INC.

Statements of Financial Position

June 30, 2021 and 2020

Assets

	2021	2020
Current assets:		
Cash and cash equivalents	$ 140,893	$ 148,834
Accounts receivable	501,475	102,661
Pledge Receivables	184,570	176,000
Community Foundation of Middle Tennessee grant receivable	-	176,970
Prepaid expenses and other current assets	1,488	438
Total current assets	828,426	604,903
Equipment and leasehold improvements, net	124,502	116,525
Beneficial interest in trusts	4,871,192	3,908,401
Total assets	$ 5,824,120	$ 4,629,829

Liabilities and Net Assets

	2021	2020
Current liabilities:		
Current installments of long-term debt	$ 120,847	$ 4,953
Accounts payable and accrued expenses	108,301	92,849
Refundable grant	-	48,977
Total current liabilities	229,148	146,779
Long-term debt, net of current installments	-	136,499
Deferred rent	-	15,386
Total liabilities	229,148	298,664
Net assets:		
Without donor restrictions:		
Unrestricted for operations	400,395	130,239
Designated for long-term growth	513,882	423,715
Designated for physical plant	124,502	116,525
Total assets without donor restrictions	1,038,779	670,479
Assets with donor restrictions	4,556,193	3,660,686
Total net assets	5,594,972	4,331,165
Total liabilities and net assets	$ 5,824,120	$ 4,629,829

See accompanying notes to the financial statements.

ST. MARY VILLA, INC.

Statement of Activities

Year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Program service fees	$ 1,312,095	$ -	$ 1,312,095
Change in value - beneficial interest in trusts	90,167	872,624	962,791
Distributions from beneficial interest in trusts	208,849	-	208,849
Contributions and other	185,371	22,883	208,254
United Way services	15,771	176,000	191,771
USDA reimbursement	64,434	-	64,434
Interest income	1,333	-	1,333
Net assets released from restrictions	176,000	(176,000)	-
Total revenues, gains and other support	2,054,020	895,507	2,949,527
Expenses:			
Program	1,371,955	-	1,371,955
Management	313,765	-	313,765
Total expenses	1,685,720	-	1,685,720
Revenues, gains and other support over expenses	368,300	895,507	1,263,807
Net assets, beginning of year	670,479	3,660,686	4,331,165
Net assets, end of year	$ 1,038,779	$ 4,556,193	$ 5,594,972

See accompanying notes to the financial statements.

ST. MARY VILLA, INC.

Statement of Activities

Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Program service fees	$ 1,062,276	$ -	$ 1,062,276
Change in value - beneficial interest in trusts	(9,073)	(118,091)	(127,164)
Distributions from beneficial interest in trusts	174,523	-	174,523
Contributions and other	285,606	-	285,606
United Way services	28,630	176,000	204,630
USDA reimbursement	43,527	-	43,527
Interest income	630	-	630
Net assets released from restrictions	176,000	(176,000)	-
Total revenues, gains and other support	1,762,119	(118,091)	1,644,028
Expenses:			
Program	1,185,680	-	1,185,680
Management	243,249	-	243,249
Total expenses	1,428,929	-	1,428,929
Revenues, gains and other support over (under) expenses	333,190	(118,091)	215,099
Net assets, beginning of year	337,289	3,778,777	4,116,066
Net assets, end of year	$ 670,479	$ 3,660,686	$ 4,331,165

See accompanying notes to the financial statements.

ST. MARY VILLA, INC.

Statements of Cash Flows

Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 1,263,807	$ 215,099
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	21,526	19,218
Bad debt expense	2,156	4,733
Change in value of beneficial interest in trusts	(962,791)	127,164
(Increase) decrease in operating assets:		
Accounts receivable	(400,970)	(69,723)
Community Foundation of Middle Tennessee grant receivable	176,970	(176,970)
Prepaid expenses and other current assets	(1,050)	161
Change in United Way grant receivable	(8,570)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	15,452	3,672
Deferred revenue	-	(4,118)
Deferred rent	(15,386)	(8,833)
Refundable grant	(48,977)	48,977
Total adjustments	(1,221,640)	(55,719)
Net cash provided by operating activities	42,167	159,380
Cash flows from investing activities - purchase of equipment and leasehold improvements	(29,503)	(15,065)
Cash flows from financing activities - repayments of notes payable	(20,605)	(7,140)
Increase (decrease) in cash and cash equivalents	(7,941)	137,175
Cash and cash equivalents at beginning of year	148,834	11,659
Cash and cash equivalents at end of year	$ 140,893	$ 148,834

See accompanying notes to the financial statements.

(1) Nature of Activities

St. Mary Villa, Inc. (the "Organization") is a Tennessee not-for-profit organization. The Organization's mission is to support families by providing affordable, quality day care, after school care and educational programs in a safe, healthy, nurturing and multi-cultural environment, promoting intellectual, physical, social and moral development of the child. The Organization operates one full-time child care facility with after-school care available at an additional location. The Organization is governed by a board of trustees that is approved by the Corporate Members of the Diocese of Nashville, Tennessee.

(2) Summary of Significant Accounting Policies

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America ("GAAP") and have been consistently applied in the preparation of the financial statements.

(a) Recently adopted accounting pronouncement

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("Topic 606"). The guidance eliminates the transaction and industry-specific revenue recognition guidance under current GAAP and replaces it with a principles-based approach. The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services.

The five step model defined by ASU 2014-09 requires the Organization to: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 additionally enhances the required disclosures surrounding the nature, amount, timing, and uncertainty of revenues and the associated cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgements and changes in judgements, and assets recognized from the costs to obtain of fulfill a contract.

The Organization adopted this guidance on July 1, 2020 using the modified retrospective method. There was no cumulative effect adjustment to the opening balance of net assets, as the adoption did not result in a change to the Organization's revenue recognition.

(b) Basis of Presentation

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

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions. The Board of Trustees (the "Board") has authority to designate unrestricted funds for specified purposes. Such designations do not represent donor restrictions and may be terminated at the Board's discretion.

Net assets with donor restrictions - Assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time and assets subject to donor-imposed restrictions that they be maintained permanently by the Organization.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Organization follows the policy of reporting donor-imposed restricted contributions whose restrictions are met in the same year as revenues from net assets without donor restrictions.

(c) Cash Equivalents

The Organization maintains cash balances on deposit with Catholic Community Investment and Loan, Inc. ("CCIL"). CCIL is a not-for-profit public benefit and charitable corporation established to loan funds to parishes and entities subject to the canonical jurisdiction of the Bishop of Nashville as well as to invest pooled deposits. These cash balances are not insured; however, the Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash and cash equivalents.

The Organization considers all highly liquid investments with original maturities of less than three months to be cash equivalents.

(d) Accounts Receivable and Credit Policies

The Organization reports accounts receivable, net of an allowance for doubtful accounts, at the amount which represents management's estimate of the amount that ultimately will be realized. The Organization reviews the adequacy of its allowance for uncollectible accounts on an ongoing basis, using historical payment trends, as well as review of specific accounts, and makes adjustments in the allowance as necessary. Management of the Organization determined no allowance was necessary at June 30, 2021 and 2020.

(e) Equipment and Leasehold Improvements

Equipment and leasehold improvements are carried at cost. Depreciation of equipment is provided using the straight-line method at rates based on estimated useful lives ranging from five to fifteen years, with no estimated salvage value. Donated equipment is recorded at estimated market value at the date of the gift. Leasehold improvements are amortized over the shorter of their estimated useful lives or the respective lease term.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation or amortization are removed from the accounts, and the resulting gain or loss is included in net assets without donor restrictions.

(f) Beneficial Interest in Trusts

The Organization is a beneficiary of the MJ Smith Family Foundation Trust ("MJ Smith Trust"), the Advancement of Catholic Education ("ACE") (formerly known as Endowment for the Advancement of Catholic Schools), and the Frank Givens Trust (collectively, the "Trusts"). The assets of the Trusts are not in the possession of the Organization. The Organization has legally enforceable rights and claims to such assets, including the sole right to income related to its interest in the Trusts. Distributions received from the Trusts are unrestricted. The change in the beneficial interest in trusts is reported as changes in net assets with donor restrictions for the MJ Smith Trust and the Frank Givens Trust and as changes in net assets without donor restrictions for ACE.

ACE is an endowed perpetual trust comprised of assets held by a trustee. The trust agreement calls for a quarterly distribution of interest, dividends, and capital gains, both realized and unrealized, as determined by the trustee and its advisors of which a percentage of the total is distributed to the Organization.

The MJ Smith Trust is a perpetual trust held by a bank. The Organization has no investment or ownership control of the assets in the trust. Distributions from this trust are determined annually based on the related trust document.

The Frank Givens Trust includes assets held by a trustee and is scheduled to terminate on March 28, 2059 at which time the Organization will receive one-third of the value of the assets held in the trust. The trustee is authorized to make annual distributions equal to a percentage determined by the trustee annually of the net fair market value of the principal of the trust, with such value determined by averaging the net fair market value of the principal of the assets held in the Frank Givens Trust on the close of the last business day of each of the immediately preceding three calendar years. The Organization is entitled to one-third of the annual distributions from the Frank Givens Trust.

(g) Grant and Contribution Recognition

Contributions are recognized as revenues in the period an unconditional promise is received. Contributions with donor-imposed restrictions that are met in the same year as received are reported as revenues in net assets without donor restrictions.

Grant revenue is recognized as expenses are incurred in accordance with the terms of the grant.

Support and revenue are reported as increases in net assets without donor restrictions unless use of the related net assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions between the applicable classes of net assets.

(h) Revenue From Contracts with Customers

Effective July 1, 2020, the Organization adopted Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*. Under Topic 606, a contract with a customer is an agreement which both parties have approved, creates enforceable rights and obligations, has commercial substance, and where payment terms are identified and collectibility is probable. Once the entity has entered a contract, it is evaluated to identify performance obligations. For each performance obligation, revenue is recognized as control of promised goods or services transfers to the customer in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. The amount of revenue recognized takes into account variable consideration, such as discounts.

The Organization's primary source of revenue from contracts with customers are from day care program revenue and related fees. Day care revenue is recognized at the point in time the services are delivered. Day care customers enter into an individual contract for an undefined period. Rates vary based upon various factors and are billed monthly in arrears. Service fees collected in advance are reported as deferred revenues until earned.

(i) Income Taxes

The Organization is a not-for-profit corporation and is exempt from federal income taxes under the provisions of Internal Revenue Code ("IRC") Section 501(c)(3), and, accordingly, no provision for income taxes is included in the financial statements. The Organization is further exempt from filing certain returns as it is considered an integrated auxiliary of a church.

An uncertain tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. The Organization does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any asset or liability for unrecognized tax benefits.

As of June 30, 2021 and 2020, the Organization has accrued no interest and no penalties related to uncertain tax positions. It is the Organization’s policy to recognize interest and/or penalties related to income tax matters in income tax expense.

(j) New accounting pronouncement, not yet adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. ASU 2016-02 will generally require recognition in the statement of financial position for all leases with terms that exceed twelve months. The new lease accounting model will continue to reflect two types of leases. Under the new rules, a lessee would account for most existing capital leases as finance leases (that is, recognizing amortization of the right-of-use ("ROU") asset, as well as separately recognizing interest on the lease liability in the statement of operations). Most existing operating leases will remain as operating leases (that is, recognizing a single total lease expense). Both finance leases and operating leases will result in the lessee recognizing a ROU asset and a lease liability. This standard is effective for fiscal years beginning after December 15, 2021 and will be adopted by the Organization for fiscal year 2023. The adoption of ASU 2016-02 will increase total assets and total liabilities. The Organization is currently evaluating the effect of adoption on the Organization’s financial statements.

(k) Functional allocation of expenses

The categories of expenses reported in the financial statements are attributed to both program and management functions. These expenses require allocation on a reasonable basis that is consistently applied. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based upon various allocation methods. General and administrative expenses include those expenses that are not directly identifiable with any other specific functions but provide for the overall support and direction of the Organization.

(l) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(m) Events Occurring After Reporting Date

Management of the Organization has evaluated events and transactions that occurred between June 30, 2021 and January 19, 2022 which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(3) Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of the following as of June 30, 2021 and 2020:

	2021	2020
Equipment	$ 23,432	23,432
Leasehold improvements	213,674	184,171
	237,106	207,603
Accumulated depreciation and amortization	(112,604)	(91,078)
	$ 124,502	$ 116,525

(4) Endowments

The Organization's endowments consist of beneficial interest in trusts established for the purpose of ensuring its future operations. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board has interpreted the Tennessee Prudent Management of Institutional Funds Act ("TPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with TPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(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

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	Without donor Restrictions	With donor Restrictions	Total
Endowment net assets, June 30, 2019	$ 432,788	$ 3,602,777	$ 4,035,565
Change in beneficial interest	(9,073)	(118,091)	(127,164)
Endowment net assets, June 30, 2020	423,715	3,484,686	3,908,401
Change in beneficial interest	90,167	872,624	962,791
Endowment net assets, June 30, 2021	$ 513,882	$ 4,357,310	$ 4,871,192

The endowment funds are held in trusts that provide for distributions throughout the year, which are available for the Organization's unrestricted use. The distributions totaled $208,849 and $174,523 for the years ended June 30, 2021 and 2020, respectively. See Note 2(f) for further information about the individual trusts, their restrictions and spending policies.

(5) Fair Value Measurements

FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes 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 (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The asset's 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.

Given the inability to compute the present value of the perpetual income stream from certain trusts, the beneficial interest in trusts has been recorded on the statements of financial position at the fair value of the underlying assets of each trust using information obtained from third party sources, including detail listings of holdings from the Trusts. The Trusts consist primarily of marketable equity securities, mutual funds, corporate and international bond funds and governmental bonds. The values of the Trusts are not based on a publicly-quoted price in an active market (Level 2). The Organization did not have any fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2021 and 2020.

(6) Long-term debt

A summary of long-term debt as of June 30, 2021 and 2020 is as follows:

	2021	2020
Note payable due in monthly installments of $750, including interest at fixed rate of 2.86% through June, 30, 2022; secured by a negative pledge of all assets.	$ 120,847	$ 141,452
Less current installments	120,847	4,953
Long-term debt, excluding current installments	$ -	$ 136,499

The remaining balance of the note payable is due in fiscal year 2022.

(7) Assets with donor restrictions

Net assets with donor restrictions consist of funds from the Diocese for the purpose of building renovations and grants from United Way that are restricted to use during the next fiscal year and the Organization's beneficial interest in the Frank Givens Trust which is restricted until the trust's termination on March 28, 2059.

(8) Retirement Plans

Defined Benefit Plan

The Organization participates in a non-contributory defined benefit pension plan which is funded based on the required contribution each year determined by the Diocesan Lay Retirement Board of Trust, and is calculated as a percentage of eligible employees' salaries. During 2021 and 2020, the Organization contributed 5% of the eligible employees' compensation to the plan each year. Participants vest in all employer contributions to the plan as follows: after three years of service 20%, increasing 20% for each year of additional service until participants are fully vested after seven years of service.

Management has determined that the defined benefit pension plan qualifies for treatment as a multi-employer plan under GAAP. Participation in multi-employer pension plans is different from single employer pension plans in the following ways: 1) assets contributed to the multi-employer plan by one employer may be used to provide benefits of employment to other participating employers, 2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers, and 3) if the Organization stops participating in its multi-employer pension plan, it may be required to pay the plan an amount based on the underfunded status of the entire plan.

The following table sets forth the benefit obligations, fair value of plan assets, and funded status (in thousands) of the noncontributory pension plan in which the Organization is a participant as of January 1, 2021 and 2020:

	January 1, 2021	January 1, 2020
Benefit obligation at end of plan year	$ (56,721)	$ (53,936)
Plan assets at fair value at end of plan year	65,829	57,535
Funded Status	$ 9,108	$ 3,599

Lay Employee Retirement Savings Plan

The Organization participates in a defined contribution retirement savings plan as a supplement to the defined benefit pension plan. Participants in the defined contribution retirement savings plan are permitted to contribute 100% of their compensation subject to certain IRC limitations. For those employees participating in the defined contribution retirement savings plan, the Organization contributes a 100% match of 3% of the participating employee's compensation. Participants are 100% vested in their contributions and the employers' matching contribution.

Contributions to both retirement plans amounted to $52,776 and $43,695 in 2021 and 2020, respectively.

(9) U.S. Department of Agriculture Grant

The Organization receives reimbursement from the U.S. Department of Agriculture ("USDA") for the Child Care Food Program (CFDA #10.558) in accordance with policy directives issued by the USDA and 7 CFR USDA Uniform Federal Assistance Regulations. Total food costs included in supplies and general expenses amounted to $75,212 and $62,456 and the reimbursable portion totaled $64,434 and $43,527 for the years ended June 30, 2021 and 2020, respectively. A schedule of grant activity for fiscal years 2021 and 2020 is as follows:

	Amount
Balance receivable at June 30, 2019	$ 24,789
Reimbursable Expenditures	43,527
Receipts	(68,316)
Balance receivable at June 30, 2020	-
Reimbursable Expenditures	64,434
Receipts	(53,477)
Balance receivable at June 30, 2021	$ 10,957

(10) Functional Expenses

A summary of the Organization's expenses by natural and functional classification for the years ended June 30, 2021 and 2020 is as follows:

	2021		
	Program expenses	Management expenses	Total
Salaries and wages	$ 697,309	$ 174,327	$ 871,636
Employee benefits	182,630	45,913	228,543
Occupancy	111,015	19,591	130,606
Supplies and general expenses	128,225	11,219	139,444
Payroll taxes	51,177	12,794	63,971
Purchase services-cleaning	49,861	5,055	54,916
Professional services	20,765	24,264	45,029
Bad debt	2,156	-	2,156
Miscellaneous	992	175	1,167
Travel and meetings	1,961	346	2,307
Insurance	4,038	713	4,751
Depreciation and amortization	18,297	3,229	21,526
Utilities and buildings	70,126	12,375	82,501
Postage and printing	1,901	336	2,237
Unemployment claims	261	-	261
Interest expense	-	3,428	3,428
Marketing and public relations	31,241	-	31,241
Total	$ 1,371,955	$ 313,765	$ 1,685,720

	2020		
	Program expenses	Management expenses	Total
Salaries and wages	$ 581,800	$ 127,811	$ 709,611
Employee benefits	187,484	34,829	222,313
Occupancy	130,606	-	130,606
Supplies and general expenses	115,114	-	115,114
Payroll taxes	42,705	9,535	52,240
Purchase services-cleaning	25,510	-	25,510
Professional services	9,000	38,968	47,968
Bad debt	-	4,733	4,733
Miscellaneous	-	1,023	1,023
Travel and meetings	5,488	-	5,488
Insurance	4,563	-	4,563
Depreciation and amortization	-	19,218	19,218
Utilities and buildings	77,513	-	77,513
Postage and printing	-	1,852	1,852
Unemployment claims	-	357	357
Interest expense	-	4,923	4,923
Marketing and public relations	5,897	-	5,897
Total	$ 1,185,680	$ 243,249	$ 1,428,929

(11) Liquidity and Availability

At June 30, 2021 and 2020, the Organization has cash and cash equivalents of $140,893 and $148,834 and accounts receivable of $501,475 and $102,661, respectively, available for general expenditures within one year of the statement of financial position date.

(12) Lease Commitments

The Organization utilizes facilities under a sub-use agreement with Catholic Charities of Tennessee, Inc. ("Catholic Charities"), which includes an option for the Organization to extend the lease for an additional five-year period. The lease ended on July 1, 2021 and was not renewed. See footnote 15 for subsequent events related to the Organization.

(13) Transactions with the Catholic Diocese of Nashville and Related Organizations

Significant transactions with related parties not disclosed elsewhere in the financial statements as of and for the years ended June 30, 2021 and 2020 include:

Significant transactions with Mission Services Office of the Catholic Diocese of Nashville:

	2021	2020
Contribution income	$ 50,000	$ 38,500

Significant transactions with CCIL include:

	2021	2020
Interest expense on line of credit and long-term debt	$ 3,428	$ 4,923

Significant transactions with Catholic Charities include:

	2021	2020
Contribution income	$ 61,000	$ 60,000
Sub-use expense	$ 137,592	$ 131,040
Shared costs	$ 68,000	$ 69,044
Management fees	$ -	$ -

The Organization has a management contract with Catholic Charities. Under the terms of this contract, Catholic Charities provides for certain administrative support, including operational, finance and accounting, human resource and general administrative services. Fees for such services are included in shared costs above. Catholic Charities has majority voting rights on the Board. Effective July 1, 2021 the agreement ended and was not renewed. See footnote 15 for subsequent events related to the Organization.

(14) Paycheck Protection Program

During 2020, the Organization was granted a loan from a bank totaling $187,200 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses. During 2020, the Organization recognized approximately $138,000 in grant revenue for amounts expended which met the conditions for forgiveness of the loan. The remaining balance of approximately $49,000 was recorded as a refundable grant liability on the 2020 statement of financial position. During 2021, the loan was forgiven and the remaining approximately $49,000 was released from liabilities to grant income.

(15) Subsequent Event

Effective July 1, 2021, the sub-use agreement between the Organization and the Catholic Charities expired and was not renewed.

Subsequent to year end, the Organization signed a lease agreement directly with St. Vincent de Paul Church for the period from July 1, 2021 through December 31, 2021 for approximately $14,300 per month. The Organization then entered into a new 5 year lease. Monthly lease payments approximate $14,700 to $16,600 per month through the end of the lease in December 2026.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees of
St. Mary Villa, Inc.:

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. Mary Villa, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 19, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LBMC, PC

Brentwood, Tennessee
January 19, 2022

ST. MARY VILLA, INC.

Schedule of Findings and Responses

June 30, 2021

<u>Financial Statement Findings</u>

There were no findings related to the financial statement audit.

<u>Compliance Findings</u>

There were no findings related to the state award compliance audit.

ST. MARY VILLA, INC.

Schedule of Prior Year Findings

June 30, 2020

<u>Financial Statement Findings</u>

There were no prior findings related to the financial statement audit.

<u>Compliance Findings</u>

There were no prior findings related to compliance testing.