ST. MARY VILLA, INC.

Financial Statements and Supplementary Information

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

LBMC MAKE A GOOD BUSINESS BETTER

ST. MARY VILLA, INC.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2022 and 2021, and the related statements of activities and changes in net assets, 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 Organization as of June 30, 2022 and 2021, and the change 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization 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.

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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 the Organization'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 the Organization'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated REPORT DATE TBD, 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.

Brentwood, Tennessee
REPORT DATE TBD

ST. MARY VILLA, INC.

Statements of Financial Position

June 30, 2022 and 2021

Assets

	2022	2021
Current assets:		
Cash and cash equivalents	$ 1,009,562	$ 140,893
Accounts receivable	238,316	501,475
Grant receivable	188,329	184,570
Prepaid expenses and other current assets	1,700	1,488
Total current assets	1,437,907	828,426
Equipment and leasehold improvements, net	118,312	124,502
Beneficial interest in trusts	4,040,691	4,871,192
Total assets	$ 5,596,910	$ 5,824,120

Liabilities and Net Assets

	2022	2021
Current liabilities:		
Current installments of long-term debt	$ -	$ 120,847
Accounts payable and accrued expenses	148,790	108,301
Total current liabilities	148,790	229,148
Total liabilities	148,790	229,148
Net assets:		
Without donor restrictions:		
Unrestricted for operations	1,090,234	400,395
Designated for long-term growth	436,652	513,882
Designated for physical plant	118,312	124,502
Total assets without donor restrictions	1,645,198	1,038,779
With donor restrictions	3,802,922	4,556,193
Total net assets	5,448,120	5,594,972
Total liabilities and net assets	$ 5,596,910	$ 5,824,120

See accompanying notes to the financial statements.

ST. MARY VILLA, INC.

Statements of Activities and Changes in Net Assets

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Program service fees	$ 1,756,875	$ -	$ 1,756,875
Change in value - beneficial interest in trusts	(77,230)	(753,271)	(830,501)
Distributions from beneficial interest in trusts	201,333	-	201,333
Contributions and other grants	154,881	-	154,881
Grants from United Way	18,173	176,000	194,173
USDA reimbursement	71,282	-	71,282
Governmental grant revenue	457,684	-	457,684
Interest income	66	-	66
Net assets released from restrictions	176,000	(176,000)	-
Total revenues, gains and other support	2,759,064	(753,271)	2,005,793
Expenses:			
Program	1,757,875	-	1,757,875
Management	394,770	-	394,770
Total expenses	2,152,645	-	2,152,645
Revenues, gains and other support over (under) expenses	606,419	(753,271)	(146,852)
Net assets, beginning of year	1,038,779	4,556,193	5,594,972
Net assets, end of year	$ 1,645,198	$ 3,802,922	$ 5,448,120

See accompanying notes to the financial statements.

ST. MARY VILLA, INC.

Statements of Activities and Changes in Net Assets

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 grants	185,371	22,883	208,254
Grants from United Way	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.

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ (146,852)	$ 1,263,807
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	22,086	21,526
Bad debt expense	37,796	2,156
Change in value of beneficial interest in trusts	830,501	(962,791)
(Increase) decrease in operating assets:		
Accounts receivable	225,363	(400,970)
Community Foundation of Middle Tennessee grant receivable	-	176,970
Grants receivable	(3,759)	(8,570)
Prepaid expenses and other current assets	(212)	(1,050)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	40,489	15,452
Deferred rent	-	(15,386)
Refundable grant	-	(48,977)
Total adjustments	1,152,264	(1,221,640)
Net cash provided by operating activities	1,005,412	42,167
Cash flows from investing activities - purchase of equipment and leasehold improvements	(15,896)	(29,503)
Cash flows from financing activities - repayments of notes payable	(120,847)	(20,605)
Increase (decrease) in cash and cash equivalents	868,669	(7,941)
Cash and cash equivalents at beginning of year	140,893	148,834
Cash and cash equivalents at end of year	$ 1,009,562	$ 140,893

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) 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.

(b) 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.

(c) 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, 2022 and 2021.

(d) 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.

(e) 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.

(f) 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.

(g) Revenue From Contracts with Customers

The Organization identifies a contract with a customer as 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.

(h) 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, 2022 and 2021, 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.

(i) New accounting pronouncement, not yet adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 activities). 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.

(j) 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.

(k) 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.

(l) Events Occurring After Reporting Date

Management of the Organization has evaluated events and transactions that occurred between June 30, 2022 and REPORT DATE TBD 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, 2022 and 2021:

	2022	2021
Equipment	$ 23,432	23,432
Leasehold improvements	229,464	213,674
	252,896	237,106
Accumulated depreciation and amortization	(134,584)	(112,604)
	$ 118,312	$ 124,502

(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, 2022 and 2021 are as follows:

	Without donor Restrictions	With donor Restrictions	Total
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
Change in beneficial interest	(77,230)	(753,271)	(830,501)
Endowment net assets, June 30, 2022	$ 436,652	$ 3,604,039	$ 4,040,691

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 $201,333 and $208,849 for the years ended June 30, 2022 and 2021, respectively. See Note 2(e) 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, 2022 and 2021.

(6) Long-term debt

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

Note payable due in monthly installments of $750, including interest at fixed rate of 2.86%; secured by a negative pledge of all assets.	$	120,847
Less current installments		120,847
Long-term debt, excluding current installments	$	-

During fiscal year 2022, the Organization repaid the remaining balance of the note payable.

(7) Assets with donor restrictions

Net assets with donor restrictions consist of the following as of June 30, 2022 and 2021:

		2022		2021
Diocese funds (for building renovations)	$	22,883	$	22,883
United Way funding for next fiscal year		176,000		176,000
Beneficial interest in MJ Smith Trust - future operations		2,810,087		3,385,926
Beneficial interest in Frank Givens Trust - future operations		793,952		971,384
Assets with donor restrictions	$	3,802,922	$	4,556,193

(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 2022 and 2021, 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, 2022 and 2021:

	January 1, 2022	January 1, 2021
Benefit obligation at end of plan year	$ (60,319)	$ (56,721)
Plan assets at fair value at end of plan year	76,392	65,829
Funded status	$ 16,073	$ 9,108

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 $63,501 and $52,776 in 2022 and 2021, 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 (Federal Assistance Listing Number 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 $111,685 and $75,212 and the reimbursable portion totaled $71,282 and $64,434 for the years ended June 30, 2022 and 2021, respectively. A schedule of grant activity for fiscal years 2022 and 2021 is as follows:

	Amount
Balance receivable at June 30, 2020	$ -
Reimbursable Expenditures	64,434
Receipts	(53,477)
Balance receivable at June 30, 2021	10,957
Reimbursable Expenditures	71,282
Receipts	(33,783)
Balance receivable at June 30, 2022	$ 48,456

(10) Functional Expenses

A summary of the Organization's expenses by natural and functional classification for the years ended June 30, 2022 and 2021 is as follows:

	2022		
	Program expenses	Management expenses	Total
Salaries and wages	$ 878,237	$ 219,560	$ 1,097,797
Employee benefits	211,882	53,241	265,123
Occupancy	155,526	27,446	182,972
Supplies and general expenses	153,091	16,115	169,206
Payroll taxes	62,928	15,732	78,660
Purchase services-cleaning	62,131	6,180	68,311
Professional services	32,123	29,463	61,586
Bad debt	37,796	-	37,796
Miscellaneous	34,758	6,134	40,892
Travel and meetings	4,938	871	5,809
Insurance	4,221	745	4,966
Depreciation and amortization	18,773	3,313	22,086
Utilities and buildings	79,528	14,034	93,562
Postage and printing	1,393	246	1,639
Unemployment claims	792	-	792
Interest expense	-	1,690	1,690
Marketing and public relations	19,758	-	19,758
Total	$ 1,757,875	$ 394,770	$ 2,152,645

	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

(11) Liquidity and Availability

At June 30, 2022 and 2021, the Organization has cash and cash equivalents of $1,009,562 and $140,893, accounts receivable of $238,316 and $501,475, and pledges receivable of $188,329 and $184,570, respectively, available for general expenditures within one year of the statement of financial position date.

(12) Lease Commitments

Prior to July 1, 2021, the Organization leased facilities under a sub-use agreement with Catholic Charities of Tennessee, Inc. ("Catholic Charities"), which included an option for the Organization to extend the lease for an additional five-year period. The sub-use agreement and the facility lease ended on July 1, 2021 and was not renewed.

Upon termination of the sub-use agreement, the Organization entered into short-term lease agreements from July 1, 2021 through December 31, 2021 with a new lessor for the same facilities at rates of approximately $14,300 per month. The Organization entered into a 5-year lease on January 1, 2022 with the lessor. Monthly lease payments approximate $14,700 to $16,600 per month through the end of the lease in December 2026.

A summary of approximate future minimum payments under this lease as of June 30, 2022 is as follows:

	Amount
2023	$ 180,000
2024	185,000
2025	191,000
2026	196,000
2027	116,000
	$ 868,000

(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, 2022 and 2021 include:

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

	2022	2021
Contribution income	$ 30,000	$ 50,000

Significant transactions with CCIL include:

	2022	2021
Interest expense on line of credit and long-term debt	$ 1,690	$ 3,428

Significant transactions with Catholic Charities include:

	2022	2021
Contribution income	$ 60,000	$ 61,000
Sub-use expense	$ -	$ 137,592
Shared costs	$ -	$ 68,000

During 2021, the Organization had a management contract with Catholic Charities. Under the terms of this contract, Catholic Charities provided 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 had a majority voting right on the Board until July 1, 2021 when the agreement terminated and was not renewed.

(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 and included with contributions and other grants in the statement of activities.

LBMC MAKE A GOOD BUSINESS BETTER

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, 2022, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated REPORT DATE TBD.

Report on 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 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 or significant deficiencies may exist that have not been identified.

Report on 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 financial statements. 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.

Brentwood, Tennessee
REPORT DATE TBD

ST. MARY VILLA, INC.

Schedule of Findings and Responses

June 30, 2022

Financial Statement Findings

There were no findings related to the financial statement audit.

Compliance Findings

There were no findings related to federal or state award compliance audit.

ST. MARY VILLA, INC.

Summary Schedule of Prior Audit Findings

June 30, 2021

Financial Statement Findings

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

Compliance Findings

There were no prior findings related to the federal or state award compliance testing.