ST. MARY VILLA, INC.

Financial Statements and Supplementary Information

June 30, 2020 and 2019

(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.:

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, 2020 and 2019, 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, 2020 and 2019, 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 November 17, 2020, 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
November 17, 2020

ST. MARY VILLA, INC.

Statements of Financial Position

June 30, 2020 and 2019

Assets

		2020		2019
Current assets:				
Cash and cash equivalents	$	148,834	$	11,659
Accounts receivable		102,661		37,671
United Way grant receivable		176,000		176,000
Community Foundation of Middle Tennessee grant receivable		176,970		-
Prepaid expenses and other current assets		438		599
Total current assets		604,903		225,929
Equipment and leasehold improvements, net		116,525		120,678
Beneficial interest in trusts		3,908,401		4,035,565
Total assets	$	4,629,829	$	4,382,172

Liabilities and Net Assets

		2020		2019
Current liabilities:				
Line of credit	$	-	$	148,592
Current installments of long-term debt		4,953		-
Accounts payable and accrued expenses		92,849		89,177
Refundable grant		48,977		-
Deferred revenue		-		4,118
Total current liabilities		146,779		241,887
Long-term debt		136,499		-
Deferred rent		15,386		24,219
Total liabilities		298,664		266,106
Net assets:				
Without donor restrictions:				
Unrestricted for operations		130,239		(216,177)
Designated for long-term growth		423,715		432,788
Designated for physical plant		116,525		120,678
Total assets without donor restrictions		670,479		337,289
Assets with donor restrictions		3,660,686		3,778,777
Total net assets		4,331,165		4,116,066
Total liabilities and net assets	$	4,629,829	$	4,382,172

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.

Statement of Activities

Year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Program service fees	$ 858,483	$ -	$ 858,483
Change in value - beneficial interest in trusts	(39,194)	13,994	(25,200)
Distributions from beneficial interest in trusts	232,818	-	232,818
Contributions and other	49,298	-	49,298
United Way services	-	176,000	176,000
USDA reimbursement	45,775	-	45,775
Interest income	495	-	495
Net assets released from restrictions	176,000	(176,000)	-
Total revenues, gains and other support	1,323,675	13,994	1,337,669
Expenses:			
Program	1,230,184	-	1,230,184
Management	157,867	-	157,867
Total expenses	1,388,051	-	1,388,051
Revenues, gains and other support over (under) expenses	(64,376)	13,994	(50,382)
Net assets, beginning of year	401,665	3,764,783	4,166,448
Net assets, end of year	$ 337,289	$ 3,778,777	$ 4,116,066

See accompanying notes to the financial statements.

ST. MARY VILLA, INC.

Statements of Cash Flows

Years ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 215,099	$ (50,382)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	19,218	19,149
Bad debt expense	4,733	14,095
Change in value of beneficial interest in trusts	127,164	25,200
(Increase) decrease in operating assets:		
Accounts receivable	(69,723)	(28,739)
Community Foundation of Middle Tennessee grant receivable	(176,970)	-
Prepaid expenses and other current assets	161	176
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	3,672	16,837
Deferred revenue	(4,118)	(2,839)
Deferred rent	(8,833)	(3,505)
Refundable grant	48,977	-
Total adjustments	(55,719)	40,374
Net cash provided (used) by operating activities	159,380	(10,008)
Cash flows from investing activities - purchase of equipment and leasehold improvements	(15,065)	-
Cash flows from financing activities:		
Repayments of line of credit	-	(144)
Repayments of notes payable	(7,140)	-
Net cash used by financing activities	(7,140)	(144)
Increase (decrease) in cash and cash equivalents	137,175	(10,152)
Cash and cash equivalents at beginning of year	11,659	21,811
Cash and cash equivalents at end of year	$ 148,834	$ 11,659

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, 2020 and 2019.

(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) <u>Beneficial Interest in Trusts</u>

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) <u>Revenue Recognition</u>

Deposits received for services fees are shown as deferred revenues until earned. Day care program revenue and related fees are recognized as income as the day care services are provided.

Cash contributions are recognized as revenue when received.

(g) <u>Income Taxes</u>

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, 2020 and 2019, 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.

(h) Recently adopted accounting pronouncement

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 is intended to clarify (1) when transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of contribution accounting guidance, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. The Organization adopted this guidance on July 1, 2019, using the modified prospective method. The adoption did not result in a material change to the financial statements.

(i) New accounting pronouncement, not yet adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which will eliminate the transaction and industry-specific revenue recognition guidance under current GAAP and replace it with a principles-based approach. ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. 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 reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09, as amended, is effective for the Organization beginning July 1, 2020 and the Organization has not yet made a determination of the transition approach to be utilized for ASU 2014-09.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, as amended, which requires lessees to recognize substantially all leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the consolidated statement of financial position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities and changes in net assets. The guidance is effective for the Organization's fiscal year beginning July 1, 2022.

Management of the Organization is currently assessing the impact that ASU 2014-09 and ASU 2016-02 will have on its financial statements and related disclosures.

(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, 2020 and November 17, 2020 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, 2020 and 2019:

	2020	2019
Equipment	$ 23,432	23,432
Leasehold improvements	184,171	169,106
	207,603	192,538
Accumulated depreciation and amortization	(91,078)	(71,860)
	$ 116,525	$ 120,678

(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 year ended June 30, 2020 and 2019 are as follows:

	Without donor Restrictions	With donor Restrictions	Total
Endowment net assets, June 30, 2018	$ 471,982	$ 3,588,783	$ 4,060,765
Change in beneficial interest	(39,194)	13,994	(25,200)
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

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 $174,523 and $232,818 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019.

(6) Line of Credit

The Organization had a $150,000 line of credit with CCIL and had borrowings under the line of $148,592 at June 30, 2019. The line of credit bore interest at the Wall Street Journal's published prime rate minus 1% with a minimum annual interest rate of 2.75%. The Organization provided CCIL with a negative pledge on all assets which requires CCIL's consent prior to pledging its assets in order to secure additional debt. The line of credit was subject to certain financial covenants. On July 1, 2019, the line of credit was converted to a note payable (Note 7).

(7) Long-term debt

A summary of long-term debt as of June 30, 2020 and 2019 is as follows:

	2020	2019
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.	$ 141,452	$ -
Less current installments	4,953	-
Long-term debt, excluding current installments	$ 136,499	$ -

A summary of future maturities of long-term debt as of June 30, 2020 is as follows:

Year	Amount
2021	$ 4,953
2022	136,499
	$ 141,452

(8) Assets with donor restrictions

Net assets with donor restrictions consist of 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.

(9) 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 2020 and 2019, 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, 2020 and 2019:

	2020	2019
Benefit obligation at end of plan year	$ (53,936)	$ (51,582)
Plan assets at fair value at end of plan year	57,535	47,269
Funded Status	$ 3,599	$ (4,313)

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 $43,695 and $40,406 in 2020 and 2019, respectively.

(10) 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 $62,456 and $59,675 and the reimbursable portion totaled $43,527 and $45,775 for the years ended June 30, 2020 and 2019, respectively. A schedule of grant activity for fiscal years 2020 and 2019 is as follows:

	Amount
Balance receivable at June 30, 2018	$ 3,277
Reimbursable Expenditures	45,775
Receipts	(24,263)
Balance receivable at June 30, 2019	24,789
Reimbursable Expenditures	43,527
Receipts	(68,316)
Balance receivable at June 30, 2020	$ -

(11) Functional Expenses

A summary of the Organization's expenses by natural and functional classification for 2020 and 2019 is as follows:

	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

	2019		
	Program expenses	Management expenses	Total
Salaries and wages	$ 644,539	$ 30,845	$ 675,384
Employee benefits	182,597	8,744	191,341
Occupancy	211,880	-	211,880
Supplies and general expenses	99,370	-	99,370
Payroll taxes	48,597	2,327	50,924
Purchase services-cleaning	23,475	-	23,475
Professional services	9,000	74,550	83,550
Bad debt	-	14,095	14,095
Miscellaneous	-	2,704	2,704
Travel and meetings	6,008	-	6,008
Insurance	4,038	-	4,038
Depreciation and amortization	-	19,149	19,149
Postage and printing	-	83	83
Interest expense	-	5,370	5,370
Marketing and public relations	680	-	680
Total	$ 1,230,184	$ 157,867	$ 1,388,051

(12) Liquidity and Availability

At June 30, 2020, the Organization has cash of $148,834 and accounts receivable of $102,661 available for general expenditures within one year of the statement of financial position date. Additionally, the corpus of ACE ($417,640 as of June 30, 2020) could be invaded in an extraordinary circumstance, if approved by ACE's board.

At June 30, 2019, the Organization had cash of $11,659 and accounts receivable of $37,671 available for general expenditures within one year of the statement of financial position date. Also at June 30, 2019, the Organization had availability in its line of credit of $1,408. Additionally, the corpus of ACE ($417,640 as of June 30, 2019) could be invaded in an extraordinary circumstance, if approved by ACE's board.

(13) 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. Future minimum payments under this lease as of June 30, 2020 amount to $137,592 in 2021.

(14) 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, 2020 and 2019 include:

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

	2020	2019
Contribution income	$ 38,500	$ 30,000

Significant transactions with CCIL include:

	2020	2019
Interest expense on line of credit and long-term debt	$ 4,923	$ 5,370

Significant transactions with Catholic Charities include:

	2020	2019
Contribution income	$ 60,000	$ 22,355
Sub-use expense	$ 131,040	$ 122,206
Shared costs	$ 69,044	$ 74,602
Management fees	$ -	$ 36,000

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 management fees above. Catholic Charities has majority voting rights on the Board.

(15) Current economic environment

As of the date this report was available to be issued, the United States, as well as many other countries around the world, was experiencing an infectious disease (COVID-19) outbreak, impacting individuals, governments, businesses and financial markets with unprecedented disruption and risk. While it is not possible to predict the impacts of the outbreak on the Organization's financial condition and results of operations, the Organization has experienced certain changes in the make-up of grant funding to respond to these needs as well as other operational effects, including the receipt of a Paycheck Protection Program loan totaling approximately $187,000. 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 is recorded as a refundable grant liability in the 2020 statement of financial position. The Organization expects for the remaining portion to meet the terms for forgiveness during 2021.

Management is closely monitoring the situation and has implemented strategies designed to mitigate the impacts of these conditions. While the Organization continues to work to mitigate COVID-19 related impacts, the financial impact and duration of these uncertainties cannot be reasonably estimated.

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, 2020, 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 November 17, 2020.

<u>Internal Control Over Financial Reporting</u>

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine 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
November 17, 2020

ST. MARY VILLA, INC.

Schedule of Findings and Responses

June 30, 2020

Financial Statement Findings

There were no findings related to the financial statement audit.

Compliance Findings

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

ST. MARY VILLA, INC.

Schedule of Prior Year Findings

June 30, 2019

Financial Statement Findings

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

Compliance Findings

Finding Number	Finding Title	Status
2019-001	Meal Reimbursement Categorization	Corrected