Keegan Linscott & Associates, PC

Certified Public Accountants
Certified Fraud Examiners
Certified Insolvency & Restructuring Advisors

THE ROMAN CATHOLIC CHURCH DIOCESE OF TUCSON, A CORPORATION SOLE

AUDITED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 (WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

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Keegan Linscott & Associates, PC

INDEPENDENT AUDITOR'S REPORT

To the Bishop of Tucson
The Roman Catholic Church Diocese of Tucson, A Corporation Sole
Tucson, Arizona

Report on the Financial Statements
We have audited the accompanying financial statements of The Roman Catholic Church Diocese of Tucson, A Corporation Sole, (the "Organization") which comprise the balance sheets as of June 30, 2020 and 2019, and the related statements of cash flows and expenses by function and nature for the years then ended, the related statement of operations and changes in net assets for the year ended June 30, 2020, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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.

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Opinion

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, 2020 and 2019, and its cash flows for the years then ended, and the results of its operations for the year ended June 30, 2020, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, in 2020, the Organization adopted ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and ASU 2016-18*, Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Keegan Linscott & Associates, PC

Tucson, Arizona
November 13, 2020

AUDITED FINANCIAL STATEMENTS

BALANCE SHEETS
AS OF JUNE 30,

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	$ 1,773,129	$ 997,534
Accounts receivable, net	87,621	39,072
Contributions receivable, current portion	46,000	111,000
Investments	6,229,192	6,066,349
Prepaid expenses and other current assets	-	3,948
Cash and cash equivalents - Custodial funds held for others	1,870,972	456,562
Total current assets	10,006,914	7,674,465
Contributions receivable	-	46,000
Beneficial interest in perpetual trust	1,302,174	1,361,339
Land, buildings and equipment, net	3,572,649	3,052,982
Total assets	$ 14,881,737	$ 12,134,786
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 126,482	$ 330,624
Accrued expenses	185,957	238,562
Custodial funds held for others	1,870,972	456,562
Total current liabilities	2,183,411	1,025,748
Long-term debt	517,840	-
Total liabilities	2,701,251	1,025,748
Net assets		
Without donor restrictions	6,302,122	5,689,270
With donor restrictions	5,878,364	5,419,768
Total net assets	12,180,486	11,109,038
Total liabilities and net assets	$ 14,881,737	$ 12,134,786

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Summarized Total 2019
Revenues and Support				
Annual Catholic Appeal Grant	$ 2,370,000	$ -	$ 2,370,000	$ 2,370,000
Chancery assessment	2,040,618	-	2,040,618	2,008,463
Fees for service	961,981	-	961,981	839,816
Investment income, net	217,063	163,627	380,690	581,198
Parish and school assistance assessment	370,660	-	370,660	344,295
Contributions, grants, and bequests	540,748	864,029	1,404,777	634,469
Program fees	204,059	-	204,059	212,307
Facilities rentals	146,659	-	146,659	68,301
Advertising revenue	21,376	-	21,376	36,795
Change in value of perpetual trust	-	(59,165)	(59,165)	(47,927)
Gain on disposal of equipment	-	-	-	803
Other revenues	2,019	13,270	15,289	58,846
Net assets released from restriction	523,165	(523,165)	-	-
Total revenues and support	7,398,348	458,596	7,856,944	7,107,366
Expenses and Losses				
Program Services	5,482,966	-	5,482,966	5,755,958
Management and General	1,272,303	-	1,272,303	1,181,072
Fundraising	30,227	-	30,227	29,718
Total expenses and losses	6,785,496	-	6,785,496	6,966,748
Change in net assets	612,852	458,596	1,071,448	140,618
Net assets, beginning of year	5,689,270	5,419,768	11,109,038	10,968,420
Net assets, end of year	$ 6,302,122	$ 5,878,364	$ 12,180,486	$ 11,109,038

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	$ 1,071,448	$ 140,618
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Gain on disposal of land, buildings and equipment	-	(803)
Contributed building	(450,000)	-
Depreciation	46,232	44,329
Net realized and unrealized gain on investments	(206,400)	(385,328)
Change in beneficial interest in perpetual trust	59,165	47,927
Changes in operating assets and liabilities		
Accounts receivable, net	(48,549)	79,447
Contributions receivable	111,000	24,000
Prepaid expenses and other current assets	3,948	29,163
Custodial funds held for others	1,414,410	(106,190)
Accounts payable	(204,142)	290,864
Accrued expenses	(52,605)	(785,735)
Net cash provided by (used in) operating activities	1,744,507	(621,708)
Cash Flows from Investing Activities		
Purchases of land, buildings and equipment	(115,899)	(63,160)
Proceeds from sale of land, buildings and equipment	-	9,000
Purchases of investments	(2,900,649)	(2,186,446)
Proceeds from sale of investments	2,944,206	2,901,367
Net cash (used in) provided by investing activities	(72,342)	660,761
Cash Flows from Financing Activities		
Proceeds from long-term debt	517,840	-
Net cash provided by financing activities	517,840	-
Net change in cash, cash equivalents, and restricted cash	2,190,005	39,053
Cash, cash equivalents, and restricted cash, beginning of year	1,454,096	1,415,043
Cash, cash equivalents, and restricted cash, end of year	$ 3,644,101	$ 1,454,096
Supplemental Schedule of Non-Cash Investing Activities		
Contributed building	$ 450,000	$ -

STATEMENT OF EXPENSES BY FUNCTION AND NATURE
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Salaries & wages	$ 2,653,645	$ 724,323	$ 13,275	$ 3,391,243
Seminarian support	426,240	-	-	426,240
Program, events & training	344,965	6,402	1,271	352,638
Licenses & fees	277,678	69,166	421	347,265
Software, equipment & supplies	142,257	40,767	1,598	184,622
Professional fees	82,696	128,121	-	210,817
Grants & subsidies	798,851	-	-	798,851
Occupancy	451,246	142,702	5,321	599,269
Travel, food, vehicles & housing	96,761	50,149	7,098	154,008
Insurance	90,603	77,715	140	168,458
Printing, postage and other administrative	84,726	9,515	697	94,938
Bad debt expense	-	10,915	-	10,915
Depreciation	33,298	12,528	406	46,232
Total expenses and losses	$ 5,482,966	$ 1,272,303	$ 30,227	$ 6,785,496

STATEMENT OF EXPENSES BY FUNCTION AND NATURE
FOR THE YEAR ENDED JUNE 30, 2019

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Salaries & wages	$ 2,778,886	$ 633,419	$ 12,891	$ 3,425,196
Seminarian support	502,862	-	-	502,862
Program, events & training	478,962	9,486	1,618	490,066
Licenses & fees	290,874	70,374	252	361,500
Software, equipment & supplies	134,011	34,460	1,724	170,195
Professional fees	119,953	164,926	-	284,879
Grants & subsidies	713,814	-	-	713,814
Occupancy	348,340	158,724	4,076	511,140
Travel, food, vehicles & housing	171,991	58,529	8,032	238,552
Insurance	83,991	21,770	115	105,876
Printing, postage and other administrative	95,924	7,681	567	104,172
Bad debt expense	-	14,167	-	14,167
Depreciation	36,350	7,536	443	44,329
Total expenses and losses	$ 5,755,958	$ 1,181,072	$ 29,718	$ 6,966,748

NOTES TO FINANCIAL STATEMENTS

1. Organization

The Roman Catholic Church Diocese of Tucson, A Corporation Sole (the "Diocese of Tucson", the "Diocese" or the "Organization") is a hierarchical religious organization governed by the Code of Canon Law of the Roman Catholic Church. Each office of the Diocese of Tucson performs specific functions in support of the Bishop's pastoral ministries and in support of the parishes and schools in the territory of the Diocese of Tucson. The offices include:

- Office of the Bishop
- Chancellor's Office
- Vocations
- Human Resources
- Fiscal Services
- Property and Insurance Services
- Communications
- Tribunal
- Formation
- Catechesis
- Evangelization
- Catholic Schools
- Catholic Social Mission

2. Significant Accounting Policies

Basis of Presentation

The Diocese of Tucson follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("U.S. GAAP") that the Organization follows to ensure the consistent reporting of its financial condition, changes in net assets and cash flows. References to U.S. GAAP issued by the FASB are to the FASB Accounting Standards Codification ("ASC").

The Diocese of Tucson's financial statements have been prepared in accordance with ASC 958, *Not-for-Profit Entities*. Under this authoritative guidance, the Organization is required to provide financial statements which are prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

- **Without Donor Restrictions** – Net assets that represent the portion of expendable funds, which are available for support of the Organization's operations and are not subject to donor-imposed restrictions. Net assets without donor restriction may be designated for specific purposes by action of the Bishop or may otherwise be limited by contractual agreements with outside parties.

- **With Donor Restrictions** – Net assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire through the passage of time or must be maintained by the Organization permanently.

NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies (continued)

Basis of Presentation (continued)
Expenses are generally reported as decreases in net assets without donor restrictions. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as releases between the applicable classes of net assets. Contributions received with donor-imposed restrictions that are expended in the same period as the revenue is recognized are classified as net assets without donor restrictions.

Endowment Funds
The Organization has interpreted the "Management of Charitable Funds Act" (Arizona's version of the Uniform Prudent Management of Institutional Funds Act or "UPMIFA"), which underlies the Organization's net asset classification of donor-restricted endowment funds as requiring the preservation of the fair value of the original gift. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts to the endowment, and (3) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the law, at which time those amounts will be reported as net assets without donor restrictions.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment funds. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Bishop and the Diocesan Finance Council, the endowment assets are invested in a balanced portfolio comprised of cash, certificates of deposit, fixed income securities, and equities. To satisfy its long-term objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) while assuming a moderate level of investment risk. The Organization targets an asset allocation of 65% equity securities and 35% fixed income securities to achieve its long-term return objectives within prudent risk constraints. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 6.0 percent annually. Actual returns in any given year may vary from that amount.

The Organization has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless precluded by donor intent or relevant laws and regulations. The Organization did not spend from underwater endowment funds during the year.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or current law requires the Organization to retain for a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of June 30, 2020 and 2019.

NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash deposits and highly liquid investments with an original maturity of three months or less. Cash and cash equivalents include short-term certificates of deposit and money market funds that are readily convertible into cash. These cash equivalents are stated at amortized cost-plus interest, which approximates fair value, and are considered Level 1 inputs in the fair value hierarchy.

The Organization places its cash and cash equivalents with high credit quality institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to certain limits. At June 30, 2020 and 2019, the Organization had $1,262,565 and $570,172 in excess of FDIC insured limits, respectively. The Organization has not experienced any losses and does not believe it is exposed to any significant credit risk on cash balances. All such cash accounts are monitored by management to mitigate risk.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets to total cash, cash equivalents, and restricted cash reported in the statements of cash flows as of June 30, 2020 and 2019:

	2020	2019
Cash and cash equivalents	$ 1,773,129	$ 997,534
Cash and cash equivalents - Custodial funds held for others	1,870,972	456,562
Total cash, cash equivalents, and restricted cash	$ 3,644,101	$ 1,454,096

Accounts Receivable, Net

Accounts receivable consist principally of uncollateralized amounts due from parishes and schools in the territory of the Diocese of Tucson. The carrying amount of accounts receivable are reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectability of specific accounts and the aging of receivables. All accounts or portions thereof deemed to be uncollectible are written off. Recoveries of receivables previously written off are recorded when received. Accounts receivable are presented net of an allowance for doubtful accounts of $76,156 and $65,240 as of June 30, 2020 and 2019, respectively.

Contributions Receivable

The Organization accounts for contributions to be made in future years as unconditional promises to give in the year the pledge is made. Contributions to be received after one year are presented at their discounted present value at a risk-adjusted rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. As of June 30, 2020, and 2019 contributions receivable are considered fully collectible by management; therefore, no allowance for uncollectible amounts has been provided.

Investments

- **Debt and Equity Securities** – Investments are accounted for in accordance with ASC 958-320, *Investments - Debt and Equity Securities*. Investments in debt and equity securities are valued at their fair values in the accompanying balance sheets. Investment income, gains and losses are

NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies (continued)

Investments (continued)

reported net of related investment fees in the statement of operations and changes in net assets increases or decreases in net assets. Gains and investment income limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the gains and income are recognized. Donated investments are recorded at fair value at the date of donation.

The Organization invests in professionally managed portfolios that contain equity and fixed income securities. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. The Organization employs a systematic methodology on an annual basis that considers available quantitative and qualitative evidence in evaluating potential impairment of investments. If the cost of an investment exceeds its fair value, management evaluates, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, and the intent and ability to hold the investment. The Organization also considers specific adverse conditions related to the financial health of and business outlook for the investee, including industry and sector performance, changes in technology, operational and financing cash flow factors, and rating agency actions. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis in the investment is established.

Custodial Funds Held for Others

Custodial funds held for others represent amounts held by the Diocese that are earmarked to be distributed to specific parishes and/or other related Catholic entities and primarily consist of FDIC insured depository accounts. The fair value of these depository accounts approximates their carrying value and are considered Level 1 inputs in the fair value hierarchy. These funds are reported as assets and liabilities in the accompanying balance sheets.

Land, Buildings and Equipment, Net

Land, buildings and equipment are stated at cost if purchased, or fair value, if donated. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements and is included in depreciation expense. Depreciation is calculated using the straight-line basis over the estimated useful lives of the related assets, which range from 3 to 40 years. Acquisitions of land, buildings and equipment and repairs or betterments that materially prolong the useful lives of assets in excess of $5,000 are capitalized. Repairs and maintenance for normal upkeep are charged to expense as incurred.

In accordance with ASC 360-10, *Property, Plant and Equipment*, the Organization periodically reviews the carrying value of long-lived assets held and used, and assets to be disposed of, for possible impairment when events and circumstances warrant such a review. For the years ended June 30, 2020 and 2019, the Organization had not experienced impairment losses on its long-lived assets.

NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies (continued)

Income Taxes
The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from state income taxes. Accordingly, no provision is made for income taxes in the accompanying financial statements. Furthermore, the Organization qualifies as a religious organization and is exempt from the Federal Form 990 and State Form 99 filing requirements.

Management evaluated the Organization's tax positions in accordance with the accounting standard on accounting for uncertainty in income taxes and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the accounting standard. In addition, Management is not aware of any matters which would cause the Organization to lose its tax-exempt status.

Revenue Recognition
Contributions - Contributions are classified based on the existence or absence of donor-imposed restrictions as either conditional or unconditional as follows:

- **Conditional** – Includes all contributions with donor-imposed conditions or stipulations representing a barrier that must be overcome before the recipient is entitled to the assets being transferred or promised. A failure to overcome the barrier gives the contributor a right of return of the assets it has transferred or the ability to rescind an obligation to transfer.
- **Unconditional** – Includes all contributions that do not contain a barrier to use and therefore are recorded as revenue once cash or a contribution is received. Donor imposed restrictions for time and/or purpose are not considered a significant barrier and thus these contributions are recorded as unconditional.

Contribution revenue is recorded when the unconditional promise to give is received. Under this method, the recognition of support for financial statement purposes bears no relation to the period in which the expenses are incurred. Revenue related to conditional contributions is recognized once the relevant barriers of each contribution are met. If the funds are received from the donor before the relevant barriers are met, deferred revenue is recorded on the statement of financial position for the amount of funds provided by the donor.

The Chancery and Parish and school assistance assessments are recognized as revenue at the time of the assessment. Fees for services and program service fees are recognized as revenue when the program or services are provided by the Organization.

Donated Goods, Property and Services
Contributions of donated non-cash assets including goods and property are recorded at their fair values on the date the asset is donated. Absent explicit donor stipulations, contributions of long-lived assets or cash or other assets to be used to acquire or construct long-lived assets are reported as net assets without donor restrictions when placed in service. Donated services are recognized in the financial statements at their fair value. Donated services are recognized when the services are received and (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2020, the Organization recognized donated property with a value of $450,000, which was included in contributions, grants, and bequests with donor restrictions on the statement of operations and changes in net assets.

NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies (continued)

Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

3. New Accounting Pronouncements

Adopted as of June 30, 2020

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. The ASU clarifies and improves current guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. ASU 2018-08 is effective for annual reporting periods beginning after December 15, 2018, and interim periods with fiscal years beginning after December 15, 2019. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments is permitted.

The Organization adopted ASU 2018-08 during fiscal year 2020 on a modified prospective basis. The adoption of this ASU primarily affected the Organization's disclosure of policies and related activity for the Organization's grants and assessment revenues which are considered conditional contributions. The adoption of this ASU did not have a material effect on the Organization's financial statements for the year ended June 30, 2020.

In November 2016, the FASB issued ASU 2016-18*, Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 was effective for the Organization beginning on July 1, 2019. ASU 2016-18 must be applied using a retrospective transition method. The Organization adopted ASU No. 2016-18 during fiscal year 2020 on a retrospective basis. The adoption of this ASU affected the total of cash, cash equivalents, and restricted cash reported on the statements of cash flows to include the Organization's custodial funds held for others. The change in custodial funds held for others was also added to the changes in operating assets and liabilities on the statements of cash flows for the years ended June 30, 2020 and 2019.

Not Yet Required to be Adopted as of June 30, 2020

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this ASU 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 (e.g., insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, and most industry-specific guidance, and creates Topic 606 *Revenue from Contracts with Customers*. The core principle of the guidance 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

NOTES TO FINANCIAL STATEMENTS

New Accounting Pronouncements (continued)

Not Yet Required to be Adopted as of June 30, 2020 (continued)

or services. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either the full retrospective or retrospective with cumulative effect transition method. Subsequent amendments have been issued for technical corrections

(ASU No. 2016-20); narrow scope improvements and practical expedients (ASU No. 2016-12); identifying performance obligations and licensing arrangements (ASU No. 2016-10); gross versus net revenue reporting (ASU No. 2016-08); and effective dates for certain entities (ASU No. 2020-05). ASU No. 2014-09 (and subsequent amendments) is effective for annual reporting periods beginning after December 15, 2019. Early adoption is permitted with certain restrictions.

The Organization expects to adopt ASU 2014-09 during fiscal year 2021 utilizing the modified retrospective method. As part of the adoption of the ASU, the Organization plans to elect the following transition practical expedients: ((i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; (ii) to apply the standard only to contracts that are not completed at the initial date of application; (iii) to apply the new revenue standard to a portfolio of contracts (or performance obligations) with similar characteristics if it is reasonably expected that the effects on the financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts (or performance obligations) within that portfolio; and (iv) to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less. The application of this ASU is not expected to have a material impact on the financial statements and will primarily affect the Organization's disclosure of policies and related activity for earned revenues.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required (see ASU No. 2018-11 below for optional transition method) for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. This ASU is intended to reduce costs and ease implementation of the leases standard for financial statement preparers. ASU 2018-11 provides a new transition method and a practical expedient for separating components of a contract. The amendments ASU 2018-11 provide entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, an entity's reporting for the comparative periods presented in the financial statements in which it adopts the new leases standard will continue to be in accordance with current U.S. GAAP in Topic 840, *Leases*. The amendments in ASU 2018-11 also provide lessors with a practical expedient, by class of underlying asset, to not separate nonlease

NOTES TO FINANCIAL STATEMENTS

New Accounting Pronouncements (continued)

Not Yet Required to be Adopted as of June 30, 2020 (continued)

components from the associated lease component and, instead, to account for those components as a single component if the nonlease components otherwise would be accounted for under the new revenue guidance (Topic 606). The effective date and transition requirements for the amendments in this update related to separating components of a contract are the same as the effective date and transition requirements in ASU 2016-02 (i.e., fiscal years beginning after December 15, 2021). All entities, including early adopters, that elect the practical expedient related to separating components of a contract in this ASU must apply the expedient, by class of underlying asset, to all existing lease transactions that qualify for the expedient at the date elected. The Organization is currently evaluating the effect these standards will have on the financial statements and disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Organization does not intend to early adopt. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements and disclosures and does not expect the impact to be significant.

In August 2018, the FASB has issued ASU 2018-13*, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU applies the provisions of recently released Chapter 8, "Notes to Financial Statements," of the FASB's Conceptual Framework for Financial Reporting, resulting in the removal, modification and addition of certain disclosure requirements. The ASU also clarifies that materiality is an appropriate consideration of entities and their auditors when evaluating disclosure requirements. The ASU is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the effect that the standard will have on the financial statements and disclosures.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. Examples of contributed nonfinancial assets include fixed assets such as land, buildings, and equipment; the use of fixed assets or utilities; materials and supplies, such as food, clothing, or pharmaceuticals; intangible assets; and recognized contributed services. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires a not-for-profit to disclose: 1) contributed nonfinancial assets recognized within the statement of activities disaggregated by category

NOTES TO FINANCIAL STATEMENTS

New Accounting Pronouncements (continued)

Not Yet Required to be Adopted as of June 30, 2020 (continued)

that depicts the type of contributed nonfinancial assets; and 2) for each category of contributed nonfinancial assets recognized: i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used; ii) the not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; iv) the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*, at initial recognition; and v) the principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit organization is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021, and interim periods with annual reporting periods beginning after June 15, 2022. Early adoption is permitted. The Organization is currently evaluating the effect that the standard will have on the financial statements and disclosures.

4. Liquidity and Availability of Resources

The following table shows a determination of the Organization's financial assets that are available to meet cash needs for general expenditures within one year as of June 30:

	2020	2019
Cash and cash equivalents	$ 1,773,129	$ 997,534
Accounts and contributions receivable	133,621	150,072
Investments (debt, equity, and other)	6,229,192	6,066,349
Beneficial interest in perpetual trust	1,302,174	1,361,339
Total financial assets	9,438,116	8,575,294
Less amounts unavailable for general expenditure within one year, due to:		
Restricted by donor with purpose restrictions	954,550	1,005,522
Subject to appropriation and satisfaction of donor restrictions	4,482,814	4,414,246
Financial assets available to meet cash needs for general expenditures within one year	$ 4,000,752	$ 3,155,526

The Organization is substantially supported by an annual catholic appeal grant and a chancery assessment, which are relatively predictable. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization manages liquidity by maintaining adequate working capital and monitoring liquid assets on a monthly basis. In the event of financial distress, the Organization would be able to liquidate investments for short-term cash needs.

NOTES TO FINANCIAL STATEMENTS

5. Contributions Receivable

Contributions receivable consists of the following as of June 30:

	2020	2019
Amounts expected to be collected:		
Less than one year	$ 46,000	$ 111,000
One to five years	-	46,000
Total	$ 46,000	$ 157,000

6. Investments

Debt and equity investments consist of the following as of June 30:

	2020	2019
Restricted Investment Pool – Catholic Organization	$ 397,130	$ 390,321
Corporate bonds	643,039	202,670
Government sponsored entity bonds	882,454	377,667
Common stocks	4,078,220	4,572,773
Mutual funds – money market instruments	228,349	522,918
	$ 6,229,192	$ 6,066,349

Included in investment income, net:

	2020	2019
Interest and dividend income	$ 174,290	$ 195,870
Realized and unrealized gain (loss), net	206,400	385,328
	$ 380,690	$ 581,198

7. Fair Value Measurements

The Organization utilizes the fair value hierarchy required by ASC 820 which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

NOTES TO FINANCIAL STATEMENTS

Fair Value Measurements (continued)
The Organization defines active markets for equity instruments based on the average daily trading volume both in absolute terms and relative to the market capitalization for the instrument. The Organization defines

active markets for debt instruments based on both the average daily trading volume and the number of days with trading activity.

The Organization's investments are classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using readily determinable fair values or alternative pricing sources with reasonable levels of price transparency. The types of instruments valued based on readily determinable fair values in active markets include common stocks and mutual funds. Such instruments are classified within Level 1 of the fair value hierarchy. The types of instruments that trade in markets that are not considered to be active but are valued on alternative pricing sources with reasonable levels of price transparency include the Organization's corporate bonds and government sponsored entity bonds. Such instruments are classified within Level 2 of the fair value hierarchy.

The beneficial interest in the perpetual trust is classified within Level 3 of the fair value hierarchy due to the lack of a market in which the Organization's beneficial interest in the perpetual trust could be bought or sold. The fair value of the beneficial interest is measured using the fair value of the underlying assets (net asset value).

The following table represents the Organization's financial assets that are measured at fair value on a recurring basis as of June 30, 2020:

Description	6/30/2020	Level 1	Level 2	Level 3
Corporate bonds	$ 802,142	$ -	$ 802,142	$ -
Government sponsored entity bonds	898,068	-	898,068	-
Common stocks (a)	4,281,888	4,281,888	-	-
Real Estate Funds	18,745	18,745	-	-
Mutual funds – money market instruments	228,349	228,349	-	-
Total before beneficial interest in perpetual trust	6,229,192	4,528,982	1,700,210	-
Beneficial interest in perpetual trust	1,302,174	-	-	1,302,174
Total	$ 7,531,366	$ 4,528,982	$ 1,700,210	$ 1,302,174

NOTES TO FINANCIAL STATEMENTS

Fair Value Measurements (continued)

The following table presents reconciliations for all Level 3 assets measured at fair value for the year ended June 30, 2020:

Description	Beneficial Interest In Perpetual Trust	Total
Balance, July 1, 2019	$ 1,361,339	$ 1,361,339
Total realized/unrealized gains (losses) included in changes in net assets	(59,165)	(59,165)
Balance, June 30, 2020	$ 1,302,174	$ 1,302,174

The following table represents the Organization's financial assets that are measured at fair value on a recurring basis as of June 30, 2019:

Description	6/30/2019	Level 1	Level 2	Level 3
Corporate bonds	$ 360,285	$ -	$ 360,285	$ -
Government sponsored entity bonds	411,450	-	411,450	-
Common stocks (a)	4,769,071	4,769,071	-	-
Mutual funds – money market instruments	525,543	525,543	-	-
Total before beneficial interest in perpetual trust	6,066,349	5,294,614	771,735	-
Beneficial interest in perpetual trust	1,361,339	-	-	1,361,339
Total	$ 7,427,688	$ 5,294,614	$ 771,735	$ 1,361,339

The following table presents reconciliations for all Level 3 assets measured at fair value for the year ended June 30, 2019:

Description	Beneficial Interest In Perpetual Trust	Total
Balance, July 1, 2018	$ 1,409,266	$ 1,409,266
Total realized/unrealized gains (losses) included in changes in net assets	(47,927)	(47,927)
Balance, June 30, 2019	$ 1,361,339	$ 1,361,339

(a) On the basis of its analysis of the nature, characteristics, and risks of the investments, the Organization has determined that presenting common stocks as a single class is appropriate.

NOTES TO FINANCIAL STATEMENTS

Fair Value Measurements (continued)

There were no financial assets or liabilities measured at fair value on a nonrecurring basis for the year ended June 30, 2020.

The Organization's long-term contributions receivable are classified within Level 3 of the fair value hierarchy because the inputs are unobservable and are generated by the Organization itself, using the Organization's own data. The fair value of the contributions receivable is measured using the income approach valuation technique. The key inputs for the fair value measurements of the Organization's contributions receivable are the schedule of expected future cash flows for each contribution and the discount rate used to convert the expected future cash flows associated with the contributions to a present value amount per the income approach. The determined discount rate is developed based on the notion of an exit price, the price that would be received to sell the asset in the most advantageous market. Only the current year's additions to contributions receivable are included in the fair value hierarchy nonrecurring basis table because the Organization's contributions receivable involved fair value measurement only upon initial recognition.

Reconciliation of initially recognized contributions receivable, which are included in fair value hierarchy, to total contributions receivable in the statements of financial position is as follows:

	2020	2019
Initially recognized contributions receivable, net	$ -	$ -
Contributions receivable, (net) recognized in prior years	46,000	157,000
Total	$ 46,000	$ 157,000

8. Beneficial Interest in Perpetual Trust

The Diocese of Tucson is the sole beneficiary of a perpetual trust held by a third party. In accordance with ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*, the Diocese of Tucson measures the fair value of beneficial interest in perpetual trust using the fair value of the underlying assets. Subsequent changes in the fair value of the underlying assets are reported in net assets with donor restrictions revenue and support as a change in value of perpetual trust in the accompanying statements of operations and changes in net assets. Distributions received from the trust are recorded as investment income without donor restrictions. The fair value of the beneficial interest in perpetual trust totaled $1,302,174 and $1,361,339 as of June 30, 2020 and 2019, respectively. The change in value of the perpetual trust resulted in losses of $59,165 and $47,927 for the years ended June 30, 2020 and 2019, respectively.

NOTES TO FINANCIAL STATEMENTS

9. Land, Buildings and Equipment, Net

Land, buildings and equipment consist of the following as of June 30:

	2020	2019
Land	$ 7,200	$ 7,200
Buildings and improvements	638,450	188,450
Property	2,750,000	2,750,000
Furniture and equipment	99,033	99,033
Vehicles	16,594	16,594
Leasehold improvements	414,846	414,846
Software	27,852	27,852
Construction in Progress	115,900	-
	4,069,875	3,503,975
Less accumulated depreciation	(497,226)	(450,993)
	$ 3,572,649	$ 3,052,982

10. Paycheck Protection Program Promissory Note

In April 2020, the Diocese of Tucson entered into a promissory note agreement with a financial institution for an original amount of $517,840. The loan was made pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which provided for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll and employee benefit expenses of the qualifying business. Per the loan agreement, the Diocese of Tucson is required to apply for loan forgiveness within a deferral period of ten months from the date of the loan agreement; however, due to the lender's administrative delays, as of November 13, 2020, the Diocese of Tucson was not yet able to apply for loan forgiveness. The loans and accrued interest may be fully or partially forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its employment levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered payroll period. If the Small Business Association ("SBA") does not confirm forgiveness of the loan or only partly confirms forgiveness of the loan, it will be required to be repaid. In that event, the financial institution would set the terms of repayment on a monthly schedule to begin after the ten month deferral period, with interest charged not to exceed 0.98% per annum, and a maturity date of two years from the date of the loan agreement. Although the Organization expects that it will meet the conditions for forgiveness of the loan, as of November 13, 2020, the Organization cannot assure that the loan will be fully or partly forgiven.

NOTES TO FINANCIAL STATEMENTS

11. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes as of June 30:

	2020	2019
Subject to expenditure for specified purpose		
Needy Parishes	$ 50,000	$ -
Seminarians/Diaconate	171,313	155,346
Retired religious women	74,160	74,160
Indian missions	151,404	232,021
Evangelization	116,692	113,884
Formation programs	115,154	156,881
Catholic school's administration	49,235	55,063
Safe environment	97,401	106,585
Other miscellaneous programs	129,191	111,582
	954,550	1,005,522
Subject to passage of time		
Bishop's residence	441,000	-
Subject to spending policy and appropriation		
Original donor-restricted endowment gift amount and amounts required to be maintained by donor		
Seminarian Education	1,327,847	1,327,847
Endowed Care – Regina Cleri	605,393	605,393
Scholarship assistance	80,095	80,095
Mass Organizations	73,428	73,428
Priest and seminarian formation	58,441	58,441
Catholic Organization Hughes Vision Diocesan newspaper	150,000	150,000
Catholic Organization Catholic Schools – general funds for Catholic School Department	85,023	85,023
Unappropriated earnings from endowment funds	800,413	672,680
	3,180,640	3,052,907
Beneficial interest in perpetual trust	1,302,174	1,361,339
	4,482,814	4,414,246
Total net assets with donor restrictions	$ 5,878,364	$ 5,419,768

NOTES TO FINANCIAL STATEMENTS

12. Donor-Restricted Endowment Funds

Changes in endowment net assets for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2019	$ -	$ 3,052,907	$ 3,052,907
Investment return			
Investment income	-	59,423	59,423
Net appreciation	-	121,859	121,859
Total investment return	-	181,282	181,282
Transfers between funds	-	(53,549)	(53,549)
Endowment net assets, June 30, 2020	$ -	$ 3,180,640	$ 3,180,640

Changes in endowment net assets for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2018	$ -	$ 2,912,811	$ 2,912,811
Investment return			
Investment income	-	60,381	60,381
Net appreciation	-	103,042	103,042
Total investment return	-	163,423	163,423
Contributions	-	3,121	3,121
Transfers between funds	-	(26,448)	(26,448)
Endowment net assets, June 30, 2019	$ -	$ 3,052,907	$ 3,052,907

Net assets with donor restrictions are included in cash and cash equivalents, and investments in the accompanying balance sheets.

13. Methods Used for Allocation of Expenses Among Program and Supporting Services

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Salaries, wages and fringe costs are allocated based on direct and indirect activity of the employee, allocable by hours worked. Travel expenses are charged to programs as applicable and allowable. Occupancy and utilities are allocated on a square footage basis.

14. Retirement Plans

Lay Employees' Pension Plan

The Diocese of Tucson participates in a non-contributory multi-employer defined benefit pension plan. The plan was established July 1, 1983 and covers all eligible lay employees of the Diocese of Tucson and

NOTES TO FINANCIAL STATEMENTS

Retirement Plans (continued)

Lay Employees' Pension Plan (continued)
participating Catholic entities. There are no separate valuations of plan benefits or segregation of plan assets specifically for the Diocese of Tucson. Information is not available from the plan to allow the Organization to determine its share of contributions for the years ended June 30, 2020 and 2019; however, the amounts are not significant when compared to the financial statements. The risks of participating in this multi-employer plan are different from single-employer plans in the following aspects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.

- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

- If the Diocese of Tucson chooses to stop participating in the multi-employer plan, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The portion of the projected benefit obligation, plan assets, and unfunded liability of the multi-employer pension plan is not material to the financial position of the Diocese of Tucson; however, the failure of participating employers to remain solvent could affect the Diocese's portion of the plan's unfunded liability. Based on the most recent actuarial information from December of 2017, the plan is slightly under 80% funded and is considered to be in the "yellow zone" according to the Pension Protection Act of 2006. This percentage is an estimate and is subject to change based upon future actuarial evaluations. The plan was frozen to new participants as of December 31, 2006 and to all participants as of January 1, 2020. All active employees whose start date was before January 1, 2007 and were therefore participants in the Lay Employees' Pension Plan were eligible to participate in the 403(b) effective January 1, 2020.

403(b) Plans
On March 1, 2003, the Diocese of Tucson adopted a 403(b)-qualified defined contribution plan. This is a multi-employer plan that covers all eligible lay employees of the Diocese of Tucson and participating Catholic entities. Employees are eligible for plan participation on their date of hire and contribute to the plan through salary deferrals. Employees are eligible to receive employer contributions upon completion of two years of continuous service. Employer contributions are equal to 25% of the employee's contribution up to a maximum of $2,000 annually. Employees are 100% vested in employee and employer contributions at all times. Participation in this plan is limited to employees hired prior to December 31, 2006.

Effective January 1, 2007, the Diocese of Tucson adopted a new 403(b) qualified defined contribution plan for employees hired subsequent to December 31, 2006. This is a multi-employer plan that covers all eligible lay employees of the Diocese of Tucson and participating Catholic entities. Employees are eligible for plan participation on their date of hire and may contribute to the plan through salary deferrals. Employees that have completed two years of service are eligible for a discretionary employer matching contribution up to a maximum of $2,000 annually. Non-matching employer contributions are also discretionary. Employees are 100% vested in employee and employer contributions at all times. For the years ended June 30, 2020 and 2019 a matching contribution of 25% was contributed to eligible employees totaling $128,705 and $117,983, respectively.

NOTES TO FINANCIAL STATEMENTS

15. Commitments and Contingencies

Operating Leases

The Organization leases property and equipment under various non-cancelable operating leases with an aggregate monthly payment of $26,919. Of that amount, $21,667 is due to a related party. The leases expire at various times through March 2039. The following is a summary of future minimum lease payments under non-cancelable operating leases as of June 30, 2020:

Year Ending	Amount
2021	$ 300,541
2022	280,774
2023	278,302
2024	278,005
2025	264,912

Total rent expense for the years ended June 30, 2020 and 2019 totaled $326,169 and $374,413, respectively.

Guarantees

The Diocese of Tucson's Bishop has guaranteed the debt of the following separately incorporated entities: Our Lady of Grace Parish, Our Lady of Fatima, St. Helen Parish, St. Odilia Parish, St. Pius Parish, St. John Neumann Parish, St. Michael the Archangel Parish, San Felipe de Jesus Parish, and Corpus Christi Parish. Guaranteed debt outstanding as of June 30, 2020 and 2019 is approximately $9.8 million and $10.8 million, respectively. The Organization believes the likelihood of having to make payments under the guarantee is remote and no liabilities are recorded as of June 30, 2020 and 2019 in the accompanying financial statements.

16. Evaluation of Subsequent Events

The Organization evaluated subsequent events through November, 13, 2020, which represents the date the financial statements were available to be issued and, with the exception of the matters discussed below, concluded that no additional disclosures are required.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Organization.