



# **Roman Catholic Archdiocese of San Antonio Pastoral Center**

Financial Report  
June 30, 2019

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RSM US LLP

## Independent Auditor's Report

Most Reverend Gustavo Garcia-Siller, MSpS  
Archbishop of San Antonio  
Roman Catholic Archdiocese of San Antonio Pastoral Center

### Report on the Financial Statements

We have audited the accompanying financial statements of the Roman Catholic Archdiocese of San Antonio Pastoral Center (the Pastoral Center), which comprise the statement of financial position as of June 30, 2019, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 Pastoral Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pastoral Center as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in Note 1 to the financial statements, the Pastoral Center adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the current year. The adoption of the standard resulted in additional footnote disclosures and significant changes to the classification of net assets and the disclosures related to net assets. The adoption was retrospectively applied to July 1, 2018. Our opinion is not modified with respect to this matter.

*RSM US LLP*

San Antonio, Texas  
January 30, 2020

**Roman Catholic Archdiocese of San Antonio Pastoral Center**

**Statement of Financial Position  
June 30, 2019**

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**Assets**

Cash and cash equivalents:	
Plant and operations fund	\$ 15,405,552
Deposit and loan fund	5,840
Pledges receivable, net of allowance for uncollectible pledges and discount of \$209,412	1,185,047
Accounts receivable:	
Insurance programs, net of allowance of \$711,796	286,327
Archdiocesan assessments, net of allowance of \$312,512	347,939
Other Archdiocesan entities	464,063
Insurance programs from insurance company	1,292,693
Grants receivable	161,628
Interest receivable	422
Prepaid expenses and other assets	159,955
Funds held by insurance company	113,327
Investments:	
Plant and operations fund	14,458,288
Deposit and loan fund	996,043
Notes receivable from related entities:	
Plant and operations fund, net of allowance of \$2,501,633	802,417
Deposit and loan fund, net of allowance of \$13,012	247,223
Cash value of life annuities	1,233,246
Buildings and equipment, net	4,770,330
Land held for future use	10,019,929
Plant and property held for sale	890,000
Properties held for lease, net	2,282,350
<b>Total assets</b>	<b>\$ 55,122,619</b>

Roman Catholic Archdiocese of San Antonio Pastoral Center

Statement of Financial Position (Continued)

June 30, 2019

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**Liabilities and Net Assets**

Liabilities:

Accounts payable and accrued expenses	\$ 2,212,741
Deposits payable—deposit and loan fund	329,227
Capitalized lease obligations	355,986
Self-insurance reserve	4,396,625
Postretirement benefits obligation	10,261,493
Deferred revenue:	
Rent income	375,000
Other	136,119
Due to others	1,258,135
<b>Total liabilities</b>	<u>19,325,326</u>

Net assets:

Without donor restrictions:	
Undesignated	4,955,038
Designated:	
Plant and operations fund	29,621,966
Deposit and loan fund	711,126
	<u>35,288,130</u>
With donor restrictions:	
Restricted by time or purpose	219,715
Restricted for scholarships	289,448
	<u>509,163</u>
<b>Total net assets</b>	<u>35,797,293</u>
<b>Total liabilities and net assets</b>	<u>\$ 55,122,619</u>

**Roman Catholic Archdiocese of San Antonio Pastoral Center**

**Statement of Activities  
Year Ended June 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Archdiocesan assessments	\$ 10,286,094	\$ -	\$ 10,286,094
Educational	276,757	-	276,757
Contributions and support	11,193,705	275,588	11,469,293
Fees from operations	460,747	-	460,747
Insurance premiums, net of rebates	20,420,976	-	20,420,976
Program fees	194,007	-	194,007
Grant income	541,070	42,501	583,571
Investment return, net	541,703	9,177	550,880
Auxiliary activities	1,664,592	-	1,664,592
Archbishop's Appeal, net of rebates	4,028,874	-	4,028,874
Deposit and loan fund—interest income	20,088	-	20,088
Advertising revenue and sales	267,350	-	267,350
Gain on sale of assets	20,450	-	20,450
Other revenues	54,761	-	54,761
Net assets released from restrictions	153,938	(153,938)	-
<b>Total revenue, gains and other support</b>	<b>50,125,112</b>	<b>173,328</b>	<b>50,298,440</b>
Expenses:			
Program services:			
Education and Formation	6,267,096	-	6,267,096
Ministry	11,951,001	-	11,951,001
Supporting services:			
General, administrative and auxiliary services	3,834,654	-	3,834,654
Insurance programs	18,036,777	-	18,036,777
<b>Total expenses</b>	<b>40,089,528</b>	<b>-</b>	<b>40,089,528</b>
<b>Increase in net assets before     postretirement-related change other     than net periodic pension costs</b>	<b>10,035,584</b>	<b>173,328</b>	<b>10,208,912</b>
Postretirement-related change other than net periodic pension costs	(321,655)	-	(321,655)
<b>Changes in net assets</b>	<b>9,713,929</b>	<b>173,328</b>	<b>9,887,257</b>
Net assets at beginning of year	25,574,201	335,835	25,910,036
Net assets at end of year	<b>\$ 35,288,130</b>	<b>\$ 509,163</b>	<b>\$ 35,797,293</b>

See notes to financial statements.

**Roman Catholic Archdiocese of San Antonio Pastoral Center**

**Statement of Cash Flows**  
**Year Ended June 30, 2019**

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Cash flows from operating activities:	
Changes in net assets	\$ 9,887,257
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation expense—building and equipment	407,205
Depreciation expense—property held for lease	40,587
Provision for allowance for doubtful accounts—accounts receivable	(41,611)
Provision for allowance for doubtful accounts—notes receivable	(88,420)
Unrealized and realized gain on investments, net	(300,299)
Amortization of deferred rent income	(60,000)
Donated land included in contributions	(4,890,000)
Gain on sale of assets	(20,450)
Postretirement-related change other than net periodic pension costs	321,655
Changes in operating assets and liabilities:	
Pledges receivable	1,273,175
Accounts and interest receivable	(175,205)
Grants receivable	(118,884)
Prepaid expenses and other assets	50,655
Funds held by insurance company	210
Cash value of life annuities	(25,512)
Accounts payable and accrued expenses	468,122
Self-insurance reserve	175,316
Reimbursement from insurance company for prepayment of losses	(851,080)
Postretirement benefits obligation	(310,252)
Deferred revenue—other	(293,436)
Due to others	(147,657)
<b>Net cash provided by operating activities</b>	<u>5,301,376</u>
Cash flows from investing activities:	
Purchases of investments	(3,801,172)
Proceeds from sale of investments	3,997,336
Proceeds from sale of fixed assets	20,450
Purchase of land, buildings and equipment	(5,463,173)
<b>Net cash used in investing activities</b>	<u>(5,246,559)</u>

(Continued)

**Roman Catholic Archdiocese of San Antonio Pastoral Center**

**Statement of Cash Flows (Continued)**  
**Year Ended June 30, 2019**

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Cash flows from financing activities:	
Issuance of notes receivable	\$ (1,501,808)
Collections of notes receivable	1,764,918
Decrease in deposits payable—deposit and loan fund	(502,264)
Decrease in capitalized lease obligations	(1,018)
<b>Net cash used in financing activities</b>	<u>(240,172)</u>
<b>Net decrease in cash and cash equivalents</b>	(185,355)
Cash and cash equivalents at beginning of year	<u>15,596,747</u>
Cash and cash equivalents at end of year	<u><u>\$ 15,411,392</u></u>
Reconciliation of cash and cash equivalents to statements of financial position:	
Plant and operations fund	\$ 15,405,552
Deposit and loan fund	5,840
	<u>\$ 15,411,392</u>
Supplemental disclosures of cash flow information:	
Donated land	\$ 4,000,000
Donated estate—land and property	890,000
	<u>\$ 4,890,000</u>
Supplemental disclosure of noncash flow information:	
Purchase of property and equipment with capital lease obligation	<u>\$ 357,004</u>

See notes to financial statements.

## Roman Catholic Archdiocese of San Antonio Pastoral Center

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies

**Organization:** The Roman Catholic Archdiocese of San Antonio Pastoral Center (the Pastoral Center) is the administrative entity of the Roman Catholic Archdiocese of San Antonio (the Archdiocese). The Pastoral Center provides planning and direction in the administration of pastoral, vocational, educational and other services to its parishes and Archdiocesan institutions. The Pastoral Center also provides insurance, financing, investing and other advisory services to certain organizations of the Archdiocese.

The accompanying financial statements include all accounts maintained by and directly under the administration and operational direction of the Pastoral Center. The Pastoral Center's fund accounting balances include the following activities as the plant and operations fund:

- General operations of the Pastoral Center
- Insurance programs
- Archbishop's Appeal activities
- Catholic Schools
- Hope for the Future tuition assistance program
- Custodian fund activities
- Catholic Television
- Old Spanish Missions, Inc.
- Land, buildings and equipment of the Pastoral Center, net of accumulated depreciation

In addition, the Pastoral Center maintains a deposit and loan fund whereby funds can be deposited by parishes or related entities, and loans can be obtained by parishes for construction or special needs.

The Pastoral Center's accompanying financial statements do not include the accounts of other organizations of the Archdiocese, such as parishes, foundations, schools, cemeteries, seminaries or any other institutions owned and operated by religious orders of men or women, except insofar as financial transactions have taken place between such organizations and the Pastoral Center. These organizations may or may not be separate corporations under civil law; however, each is an operating entity distinct from the Pastoral Center, maintains separate accounts and operating controls, carries on its mission through its services and programs and is expected to report annually to its respective constituency.

The Pastoral Center maintains the accounts and provides the administration and operating direction for the following programs.

#### **Program services:**

**Education and formation:** The Clergy and Consecrated Life program assists with the pastoral care of all Archdiocesan priests by encouraging and helping them in their personal and spiritual growth, pursue theological updates and also seek ongoing development of their pastoral and ministerial skills. The diaconate program facilitates the formation of deacon candidates and provides support and continuing education for all Archdiocesan deacons. The Consecrated Life program works to foster the pastoral care of the religious men and women residing in the Archdiocese. The vocation program provides resources and discernment opportunities that promote and cultivate vocations to ordained and consecrated life.

## Roman Catholic Archdiocese of San Antonio Pastoral Center

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

The Catholic Schools program provides services and direction to pastors, principals, teachers and other school leaders so the vision of Catholic education in the Archdiocese can be realized.

The Hope for the Future tuition assistance program helps to make the proven benefits of a Catholic school education available to financially disadvantaged children. This program also serves the administrators, staff, teachers and families in Catholic schools by funding projects that build up their campuses, including grants for infrastructure, special programs and curriculum and technology enhancements.

**Ministry:** The Pastoral Ministries program provides support to the Archdiocesan offices of ministry, which includes resources, educational opportunities and faith formation events to assist people of all ages from various walks of life to promote gospel values in the local parish, the local church and the world.

The Communication Services program brings the message of Jesus in an understandable way to Catholics and non-Catholics alike. It distributes information on Archdiocesan events and developments in the church to the media and provides messages from the Archbishop to the members of the church, as well as the public.

The annual Archbishop's Appeal provides supplemental financial assistance to institutions, programs and ministries affiliated with the Catholic Church throughout the Archdiocese. The Appeal provides funding for social services and also provides support for Archdiocesan agencies that assist the many needs of the parishes, Catholic schools and future church leaders.

Old Spanish Missions, Inc. (OSM, Inc.) is a not-for-profit corporation operated by the Pastoral Center. OSM, Inc. was established to maintain and restore the four missions located in San Antonio, Texas.

#### Supporting services:

**General, administrative and auxiliary services:** General, administrative and auxiliary services are essential and legitimate costs of providing services to the Archdiocesan agencies. These costs include expenses such as salaries and benefits, information technology, office supplies and postage, utilities and repairs and maintenance, among others.

The deposit and loan fund was established to fund a depository at the Pastoral Center whereby funds can be deposited by parishes or related entities and loans can be obtained by parishes for construction or special needs. A reduced rate of interest is applied, to ensure the basic Christian concept of communities helping communities might be achieved in the realm of financial sharing.

**Insurance programs:** Insurance programs is a fund established for the accounting of the insurance benefits established by the Archdiocese in which all Archdiocesan agencies participate. The insurance benefits include health, workers' compensation, property and liability insurances. Payments for insurance premiums received in advanced for future periods are recorded as deferred revenues.

**Basis of presentation:** The financial statements of the Pastoral Center are prepared on the accrual basis of accounting with standards applicable to not-for-profit organizations in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

## Roman Catholic Archdiocese of San Antonio Pastoral Center

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

Under these provisions, net assets and revenue, expenses, gains and losses are classified as with and without donor restrictions based upon the following criteria.

**Without donor restrictions:** Net assets without donor restrictions represent expendable funds available for operations, which are not otherwise limited by donor restriction. Net assets without donor restrictions may be designated for a specific purpose by action of the Board of Directors (the Board).

**With donor restrictions:** Net assets with donor restrictions based on time or purpose consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performances of a future event or a specific passage of time before the Pastoral Center may spend the funds. Net assets held in perpetuity, including endowments received by the Pastoral Center, are usually subject to irrevocable explicit donor restrictions requiring that the assets be maintained in perpetuity, usually for the purpose of generating investment income to fund annual operations.

Some of the funds generated by the Pastoral Center are designated by various boards that serve the Archdiocese for endowment funds for long-term investment purposes, and the interest income earned is distributed at the discretion of the boards to individual agencies and schools. The Pastoral Center has created the Archdiocese of San Antonio Endowment Fund, Inc.; the Archdiocesan Catholic Schools Endowment Fund, Inc.; the Archdiocesan Designated Catholic Schools Endowment Fund, Inc. and the Seton Home Endowment Fund, Inc. In fiscal year 2013, the Pastoral Center donated the assets of certain endowment funds to the Catholic Community Foundation (CCF) for the establishment of other endowment funds. Gifts of cash and other assets are classified as net assets with donor restrictions to be held in perpetuity if the donor's explicit stipulation is to place the funds in perpetuity in one of the Pastoral Center's endowments. The income earned on the endowments held in perpetuity is to be made available for program activities.

**Adopted accounting pronouncement:** Effective July 1, 2018, the Pastoral Center adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this ASU did not have an effect on total net assets, but did result in additional note disclosures as follows:

- Net asset classifications and related disclosures
- Additional disclosures useful in assessing liquidity within one year of the statement of financial position date
- New reporting requirements related to expenses including disclosure of expenses by both nature and function
- Reporting of net investment return

The Pastoral Center made changes to terminology and classification, as described above, as well as additional and modified disclosures to the financial statements. Amounts previously reported as of July 1, 2018, have been reclassified, on a retrospective basis, to achieve consistent presentation. Net asset amounts previously reported as temporarily or permanently restricted have been reclassified to be reported as with donor restrictions.

## Roman Catholic Archdiocese of San Antonio Pastoral Center

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Recent accounting pronouncements:** In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the FASB Emerging Issues Task Force)*. ASU No. 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU No. 2016-15 will be effective for the Pastoral Center on June 30, 2020.

On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 one year, making it effective for the Pastoral Center's year ending June 30, 2020. Early adoption is permitted.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. This guidance changes how entities account for equity investments that do not result in consolidation and are not accounted for under the equity method of accounting. Entities will be required to measure these investments at fair value at the end of each reporting period and recognize changes in fair value in net income. A practicability exception will be available for equity investments that do not have readily determinable fair values; however, the exception requires the Pastoral Center to adjust the carrying amount for impairment and observable price changes in orderly transactions for the identical or a similar investment of the same issuer. This guidance also changes certain disclosure requirements and other aspects of current U.S. GAAP. ASU No. 2016-01 will be effective for the Pastoral Center for the year ending 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*. ASU No. 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. For resource recipients: Where the Pastoral Center is the resource recipient, the ASU is applicable to the Pastoral Center for contributions received for its year ending June 30, 2020. For resource providers: Where the Pastoral Center is a resource provider, the ASU is effective for the Pastoral Center for annual periods for its year ending June 30, 2021.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU No. 2018-13 will be effective for Pastoral Center for its year ending June 30, 2021.

## Roman Catholic Archdiocese of San Antonio Pastoral Center

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective for the Pastoral Center for its year ending June 30, 2022.

In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*, which makes narrow scope improvements to the standard for specific issues. In July 2018, the FASB also issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, which provided an additional transition option that allows companies to continue applying the guidance under the current lease standard in the comparative periods presented in the financial statements. ASU No. 2018-11 also provides lessors with a practical expedient, in certain circumstances, to not separate nonlease components from the associated lease component, similar to the expedient provided for lessees. The standard is effective for the Pastoral Center for its year ending June 30, 2022.

In December 2018, the FASB issued ASU No. 2018-20, *Narrow-Scope Improvements for Lessors*. This ASU provides an election for lessors to exclude sales and related taxes from consideration in the contract, requires lessors to exclude from revenue and expense lessor costs paid directly to a third party by lessees and clarifies lessors' accounting for variable payments related to both lease and nonlease components. In March 2019, the FASB issued ASU No. 2019-01, *Leases (Topic 842): Codification Improvements*, which modifies the disclosure requirements for determining the fair value of the underlying asset by lessors that are not manufacturers or dealers, the presentation on the statements of cash flows for sales-type and direct financing leases and amends the transition disclosures related to Topic 250, accounting changes and error corrects. ASU No. 2019-01 will be effective for the Pastoral Center for its year ending June 30, 2021. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The new standard provides a number of practical expedients. The standard is effective for the Pastoral Center for its year ending June 30, 2021.

The Pastoral Center is currently evaluating the effect the above implementations will have on the financial statements.

**Cash and cash equivalents:** For financial statement purposes, the Pastoral Center considers funds in money market accounts and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Pledges receivable:** The Pastoral Center recognizes promises to give, also known as pledges, in the financial statements when there is sufficient evidence in the form of verifiable documentation that a promise was made and received. Pledges receivable are from commitments to OSM, Inc.'s campaign, the Archbishop's Appeal and Hope for the Future. The related pledges receivable are discounted to an estimated present value.

## Roman Catholic Archdiocese of San Antonio Pastoral Center

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Allowance for doubtful accounts:** The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the receivable is no longer collectible. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on specifically identified questionable receivables. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

**Accounts receivable—insurance program:** Insurance program receivables are recorded on the accrual basis of accounting. Each fiscal year, the Pastoral Center bills the various entities for their share of the self-insurance program which covers their respective property, liability, workers' compensation and health insurance expenses.

**Accounts receivable—Archdiocesan assessments:** Archdiocesan assessments are recorded on the accrual basis of accounting. Each fiscal year, the Pastoral Center assesses its parishes between 2% and 12% on parish revenues (graduated based on parish income level), plus an additional 15% of the assessment rate for parishes with schools or an additional 18% of the assessment rate for parishes without schools.

**Accounts receivable—other Archdiocesan reimbursables:** Other receivables are recorded on the accrual basis of accounting. The Pastoral Center records receivables for reimbursable expenses made on behalf of other entities.

**Investments:** Investments consist of certificates of deposit (CDs) and mutual fund accounts. Investments are reported at their fair value based upon quoted market prices or similar investments or net asset values (NAVs) in the statements of financial position. Unrealized and realized gains and losses are included in the statements of activities.

**Land, buildings and equipment:** Land, buildings and equipment are stated at cost, if purchased, or at fair value, if donated, less depreciation. Assets with lives greater than one year and that have a value greater than \$5,000 for movable assets, renovations and building additions that add value or extend the life of the assets, as well as all land and construction costs of new buildings, are capitalized. Depreciation is calculated on the straight-line method based on the estimated useful lives of the assets. 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. Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense of capital leases is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease.

The following estimated useful lives are used:

Asset	Estimated Useful Life
Land improvements	15 years
Buildings and leasehold improvements	30 years
Equipment	15-25 years
Movable equipment	2-10 years

## Roman Catholic Archdiocese of San Antonio Pastoral Center

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Self-insurance reserves:** The Pastoral Center establishes insurance claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred, but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. The amount paid to ultimately settle these claims may be more or less than the amounts currently accrued.

**Revenue recognition:** Support and revenue are reported as an increase in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of time or purpose restrictions on net assets with donor restrictions (e.g., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Accordingly, the Pastoral Center reports gifts of cash and other assets as net assets with donor restrictions support if they are received with donor restrictions that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

**Contributions:** All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded as received with the appropriate written evidential documentation, and allowances are provided for amounts estimated to be uncollectible. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years, if any, are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support revenue until the conditions are substantially met.

Also contributions of noncash assets from Archdiocesan related party organizations are recorded at net book value.

**Contributed services:** Contributed services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services recognized are not significant.

**Functional allocations of expenses:** The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Bank and credit card fees, contracted services, gifts, donations and assessments, and salaries and benefits of higher management are allocated based on the percentage of employees in each function. Depreciation expense and office and occupancy costs are allocated based on square footage.

**Federal income taxes:** The Pastoral Center is exempt from federal income tax under provisions of section 501(c)(3) of the Internal Revenue Code. However, the Pastoral Center is subject to tax under section 511(a) to the extent it has unrelated business taxable income. The Pastoral Center has no material unrelated business taxable income for the year ended June 30, 2019.

## Roman Catholic Archdiocese of San Antonio Pastoral Center

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Contingencies:** Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Pastoral Center, but which will only be resolved when one or more future events occur or fail to occur. The Pastoral Center's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Pastoral Center or unasserted claims that may result in such proceedings, the Pastoral Center's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Pastoral Center's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

**Use of estimates:** The preparation of financial statements in accordance with U.S. 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.

**Advertising and promotional costs:** The Pastoral Center expenses advertising and promotional costs when they are incurred. Advertising and promotional costs for the year ended June 30, 2019, totaled \$136,623.

**Subsequent events:** The Pastoral Center has evaluated subsequent events through January 30, 2020, the date financial statements were available to be issued.

#### Note 2. Pledges Receivable

Pledges receivable, net at June 30, 2019, consist of the following:

OSM, Inc.	\$ 525,691
Pastoral Center, primarily Archbishop's Appeal	659,356
Total pledges receivable, net	<u><u>\$ 1,185,047</u></u>

**OSM, Inc.:** The purpose of OSM, Inc.'s pledge activities is to preserve San Antonio's missions by securing financial support for the restoration and preservation of those missions, including support of operations. At June 30, 2019, pledges receivable net of allowance are included as designated net assets without donor restrictions.

## Roman Catholic Archdiocese of San Antonio Pastoral Center

### Notes to Financial Statements

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#### Note 2. Pledges Receivable (Continued)

Total amount of pledges receivable, net at June 30, 2019, is summarized as follows:

Without donor restriction:	
Less than one year	\$ 927,236
One to five years	424,445
More than five years	42,778
	<hr/>
	1,394,459
Less provision for allowance for pledges receivable	176,594
Less discount for present value	32,818
Pledges receivable, net	<hr/>
	\$ 1,185,047
	<hr/>

#### Note 3. Accounts Receivable

Accounts receivable at June 30, 2019, consist of the following:

Insurance programs	\$ 998,123
Archdiocesan assessments	660,451
Other Archdiocesan entities	464,063
Total accounts receivable	<hr/>
	2,122,637
Less allowance for uncollectible accounts	1,024,308
Total accounts receivable, net	<hr/>
	\$ 1,098,329
	<hr/>

#### Note 4. Investments

The Pastoral Center's investments are invested at various financial institutions with the majority of the investments managed by the CCF. These investments are exposed to various risks such as interest rate, market and credit risk. 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 future would materially affect investment balances and the amounts reported in the financial statements.

Investments for the year ended June 30, 2019, consist of the following:

CDs	\$ 6,647,873
Mutual funds	5,960,241
CUIT—equity securities	2,846,217
	<hr/>
	\$ 15,454,331
	<hr/>

## Roman Catholic Archdiocese of San Antonio Pastoral Center

### Notes to Financial Statements

#### Note 5. Fair Value Measurements

The Fair Value Measurements and Disclosures topic of the *FASB Accounting Standards Codification* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the topic establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- **Level 1:** Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- **Level 2:** Inputs are observable, other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3:** Inputs are unobservable and are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds and exchange-traded equities. If quoted market prices are not available in an active market, then fair value is estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flow. Level 2 securities would include United States agency securities, mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset-backed and other securities. In certain cases where there is limited activity or transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

The following table summarizes the assets measured at fair value on a recurring basis as of June 30, 2019, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Level 1	Level 2	Level 3	Total
Investments:				
CDs—negotiable	\$ -	\$ 6,647,873	\$ -	\$ 6,647,873
Mutual funds	5,960,241	-	-	5,960,241
	<u>\$ 5,960,241</u>	<u>\$ 6,647,873</u>	<u>\$ -</u>	<u>12,608,114</u>
Investments measured at NAV per share:				
CUIT—equity securities				2,846,217
Total investments				<u>\$ 15,454,331</u>

## Roman Catholic Archdiocese of San Antonio Pastoral Center

### Notes to Financial Statements

#### Note 6. Cash Value Life Annuities

Cash value life annuities consists of three flexible premium deferred annuity certificates which provide for a death benefit in the event of the annuitant's death. At June 30, 2019, the cash value of the life annuities totaled \$1,233,246. The cash value life annuities have a minimum guaranteed interest rate of 1.5% for the life of the certificates.

#### Note 7. Notes Receivable From Related Entities

The Pastoral Center manages and is responsible for long-term notes made to entities related to the Archdiocese. At June 30, 2019, the plant and operations fund has net notes receivable due from other entities totaling \$802,417. At June 30, 2019, the deposit and loan fund has net notes receivable due from parishes totaling \$247,223. The notes have various repayment terms and bear interest rates ranging up to 7%.

Notes receivable consist of the following:

Borrower	Interest Rate	Maturity Date	Repayment Terms	Amount
MCSP, Inc.	6.25%	6/30/2021	A	\$ 2,425,172
CCF	3.85%	12/31/2022	B	654,362
St. Leonard	2.50%	6/1/2026	C	175,000
San Fernando Cathedral	0.00%	9/30/2020	D	163,000
Other notes receivable	0.00%-7.00%	Various	Various	146,751
				3,564,285
Less allowance for uncollectible accounts				2,514,645
				\$ 1,049,640

- A. MCSP, Inc. repayment terms include a lump-sum payment for the principal and any accrued and unpaid interest at date of maturity. There were no payments received during the year ended June 30, 2019. The allowance for uncollectible accounts for this note receivable is \$2,316,913 for 2019.
- B. CCF repayment terms include the payment of accrued and unpaid interest at each anniversary date and a lump-sum payment for the principal and accrued and unpaid interest at date of maturity. Payments received during fiscal year 2019 totaled \$505,805.
- C. St. Leonard repayment terms include monthly payments of principal and accrued interest until date of maturity. The first payment for this note will begin July 1, 2019. Subsequent payments totaling \$13,650 have been received in fiscal year 2020.
- D. San Fernando Cathedral repayment terms include monthly payments of principal until date of maturity. Payments received during the years ended June 30, 2019 totaled \$2,000.

## Roman Catholic Archdiocese of San Antonio Pastoral Center

### Notes to Financial Statements

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#### Note 8. Buildings and Equipment

Buildings and equipment at June 30, 2019, consist of the following:

Buildings and land improvements	\$ 11,387,766
Equipment	1,031,671
Construction in progress	527,731
	<u>12,947,168</u>
Less accumulated depreciation	8,176,838
	<u>\$ 4,770,330</u>

Depreciation expense for buildings and equipment for the year ended June 30, 2019, totaled \$407,205.

#### Note 9. Properties Held for Lease

Properties held for lease at June 30, 2019, consist of land and buildings as follows:

Real estate ground lease (A)	\$ 300,031
Catholic Charities (B)	283,539
Boerne Stage Road (C)	1,792,483
St. Stephen's Property (D)	765,667
	<u>3,141,720</u>
Less accumulated depreciation	859,370
	<u>\$ 2,282,350</u>

Depreciation expense for buildings and equipment for properties held for lease for the year ended June 30, 2019 totaled \$40,587.

**A. *St John's Master Ground Lease:*** In fiscal year 2018, the 2015 real estate ground lease was terminated and replaced with the St. John's Master Ground Lease (the Lease) effective on December 1, 2017. The Pastoral Center (the Landlord) executed this Lease, which consists of 11.139 acres with a Texas public facility corporation (the Tenant). This Lease has a guaranty executed by a Texas limited liability partnership and an individual (collectively, the Guarantor). The acres also include certain existing buildings, infrastructure and attached fixtures (collectively known as the Premises). This Lease is a master lease of the Premises for the Tenant's development, rehabilitation and operation as a rental project comprised of 228 rental units (the Project), including ancillary commercial and public space for related mixed-use purposes (collectively, the Improvements). The term of the Lease is for a period of 75 years commencing on December 1, 2017, with the option to extend for an additional 10 years. The Lease is also a net lease to the Landlord, which requires the Tenant pay all costs related to the use, operation, maintenance and repair of the Premises. Also, at the end of the term of the Lease, title to all Improvements constructed by the Tenant shall be vested to the Landlord. The Project continues and is currently in its preliminary development phase.

Preliminary base rent is \$58,500 per year. Upon the issuance of a certificate of occupancy, base rent will adjust to \$117,000 per year, with subsequent CPI percentage increases.

The net carrying value of the property held for lease totaled \$243,018, net of accumulated depreciation of \$57,013 at June 30, 2019.

## Roman Catholic Archdiocese of San Antonio Pastoral Center

### Notes to Financial Statements

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#### Note 9. Properties Held for Lease (Continued)

Rental income and expenses for the Lease for the year ended June 30, 2019, is as follows:

Rental income	\$	58,500
Expenses:		
Other		7,946
Depreciation		10,001
Net rental income	\$	<u>40,553</u>

- B. Catholic Charities:** In September 2016, the Pastoral Center purchased a property consisting of buildings and land for \$283,539. Subsequently, the Pastoral Center leased the property to Catholic Charities. The lease term is for a one-year period commencing on July 1, 2017, renewable on a year-to-year basis until Catholic Charities has no ministry use for the property. Base rent is \$3,000 per month.

The net carrying value of this property held for lease totaled \$263,449, net of accumulated depreciation of \$20,090 at June 30, 2019.

Rental income and expenses for the Catholic Charities for the year ended June 30, 2019, is as follows:

Rental income	\$	36,000
Expenses:		
Depreciation		7,091
Net rental income	\$	<u>28,909</u>

- C. Boerne Stage Road:** On September 25, 2015, the Pastoral Center purchased 4.41 acres of land and improvements for \$1,192,482 for a future parish site. Concurrently with the purchase, the seller also gifted 13.06 acres of undeveloped land. As a condition of the purchase of land and improvements, the Pastoral Center entered into a lease agreement with the seller for the entire 17.47 acres and improvements. The term of the lease is for 10 years effective from September 25, 2015, and expires September 24, 2025. The rent is \$1.00 per year. The Pastoral Center, as landlord, will reimburse the tenant 50% of costs for maintenance, repairs, real property taxes and assessments. The Pastoral Center has recorded the gifted 13.06 acres of land at its appraised value of \$600,000 and the lease agreement as deferred rent income for the same amount. The deferred rent will be amortized over the life of the lease to rent income.

The net carrying value of this property held for lease totaled \$1,711,504, net of accumulated depreciation \$80,979 at June 30, 2019.

## Roman Catholic Archdiocese of San Antonio Pastoral Center

### Notes to Financial Statements

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#### Note 9. Properties Held for Lease (Continued)

Rental income and expenses for the Boerne State Road for the year ended June 30, 2019, is as follows:

Rental income	\$	60,000
Expenses:		
Other		7,949
Depreciation		21,125
Net rental income	\$	<u>30,926</u>

- D. **St. Stephen's Property:** In September 2017, the Pastoral Center received land and building as a donation from St. Stephen's Church at a net book value of \$67,740 as a result of the closure of the parish. Subsequently, the Pastoral Center leased the property to Catholic Charities. The lease term is for a one-year period commencing on September 1, 2017, renewable on a year-to-year basis until Catholic Charities has no office and storage use for the property. Base rent is \$7,500 per month.

The net carrying value of this property held for lease totaled \$64,379, net of accumulated depreciation of \$701,288 at June 30, 2019.

Rental income and expenses for the St. Stephen's Property for the year ended June 30, 2019, is as follows:

Rental income	\$	90,000
Expenses:		
Other		26,885
Depreciation		2,372
Net rental income	\$	<u>60,743</u>

#### Note 10. Purchase Commitment From Bank—Tax Credits

The Pastoral Center has a commitment letter from a bank to purchase Texas Historic Rehabilitation Tax Credits issues by the Texas Comptroller of Public Accountants of approximately \$1,500,000. The tax credits are related to the renovation of the four missions, which are certified historic structures. The bank will pay \$0.92 per \$1.00 of tax credits, and the commitment letter expires on December 31, 2023. In 2019, the Pastoral Center submitted an application for Texas Historic Rehabilitation Tax Credits for San Juan Capistrano.

#### Note 11. Deposits Payable

The Pastoral Center maintains savings accounts for the Archdiocesan entities and pays interest semiannually. The balance of such deposits due to parishes and other Archdiocesan entities at June 30, 2019, totaled \$329,227. Deposits bear interest at rates ranging from 0.0% to 1.2% for parishes and entities based on the time commitment.

## Roman Catholic Archdiocese of San Antonio Pastoral Center

### Notes to Financial Statements

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#### Note 12. Insurance Programs

**Property, liability and workers' compensation insurance:** The Archdiocese has established a self-insured fund to pay for all property, liability and workers' compensation claims not insured by outside commercial insurers. All property claims are at replacement cost coverage. Liability claims above the self-insured retention of \$100,000 (i.e., deductible) are insured by outside commercial insurers. Property claims have a variable deductible ranging between \$100,000 and \$500,000 depending on the nature of the claim. Each property claim has a coverage limit of \$250,000,000 from the outside insurer and each liability claim has a coverage limit of \$10,000,000 from the outside insurer. Claims regarding wrongful acts occurring after July 1, 1998, are insured by outside commercial insurers above the self-insured retention of \$250,000 (i.e., deductible), with a \$4,000,000 limit for each wrongful act claim. Claims regarding wrongful acts occurring before July 1, 1998, are not covered by outside insurers. The Archdiocese's Risk Management Office administers all claims under the self-insured trust and the excess loss coverage. Effective July 1, 2017, the Archdiocese switched workers' compensation to a guaranteed cost program and are 100% insured by an outside commercial insurer. Workers' compensation claims incurred prior to July 1, 2017, are included in the self-insurance reserves for claims not covered by other outside insurers.

**Health insurance benefits:** The Pastoral Center became self-insured effective September 1, 2012, for health insurance claims not covered by outside insurers. The Pastoral Center provides health care benefits to active lay and priest employees through the self-insured plan that includes medical and prescription drug benefits. The payment of claims associated with these benefits is handled by a third-party administrator. The Pastoral Center is self-insured for the first \$150,000 of medical claims, and also fully insured for claims in excess of \$150,000 up to a maximum annual aggregate stop-loss payment amount of \$1,000,000.

The Pastoral Center believes that the self-insurance reserves recorded are adequate to cover losses for which the Pastoral Center may be liable. Whether additional claims or revisions to estimates required for settlement on existing claims could have a material effect on the financial statements cannot be determined.

**Employee death benefit:** Effective July 1, 2014, the Pastoral Center became self-insured for a death benefit for all permanent full-time employees of the Archdiocese. The death benefit is \$20,000 for eligible employees up to age 70 and \$10,000 for employees 70 years and older. The death benefit discontinues at the time of termination, resignation, retirement or with a status change from full-time to part-time. Archdiocesan priests, both active and retired, are eligible for this benefit. Administration of the benefit will be the responsibility of the Pastoral Center's Office of Human Resources. The Pastoral Center paid \$90,000 for this benefit in 2019.

As of June 30, 2019, a self-insurance reserve of \$4,396,625 has been made for the settlement of all incurred claims, which includes claims incurred, but not reported.

The self-insurance reserve is an estimate of the cost of claims incurred, but not settled. Reserve estimates for reported claims are primarily determined by the evaluation of individual reported claims by a third-party underwriter and the Archdiocese's Risk Management Office. Provisions for estimates for claims incurred, but not reported are based on prior experience. The methods for making such estimates and for establishing the resulting liabilities are periodically reviewed and updated. Any adjustments to these estimates are reflected in the statements of activities and changes in net assets when they become known.

## Roman Catholic Archdiocese of San Antonio Pastoral Center

### Notes to Financial Statements

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#### Note 13. Pension Plans

The Archdiocese sponsors a defined contribution, noncontributory, pension plan for all permanent full-time lay employees. The plan provides for a seven-year graded vesting with 100% vesting after seven years of continuous service. After July 1, 2014, only full-time employees were eligible to participate in the plan beginning on the date that they became full-time. Part-time employees, who previously met the old eligibility requirements of six months of service and earnings equivalent to 1,000 hours times the minimum wage at January 1 of the given year, were grandfathered into the amended plan. Employer contributions are determined as 5% of each covered employee's salary. Participation is mandatory and employees cannot contribute to the plan. Total contributions for the Pastoral Center for the year ended June 30, 2019, was approximately \$375,000.

The predecessor of the above defined contribution pension plan was a defined benefit plan (Pre-1991 Plan) for its lay employees. This Pre-1991 Plan has a remaining actuarial liability of approximately \$108,000 and is fully funded.

The Archdiocese also sponsors a voluntary 403(b) plan through TIAA CREF. Eligible employees may contribute up to the annual limit with no matching from the covered participant locations.

The Archdiocese has a noncontributory, defined benefit plan for eligible priests for its Archdiocesan participating locations. The Pastoral Center participates in a separate and independent Archdiocese of San Antonio Priest Defined Benefit Pension Plan (the Priest Pension Plan). The purpose of the Priest Pension Plan is to provide a retirement program for the exclusive benefit of eligible priests and to provide support for priests with disabilities. The participating locations are assessed annually for the support of the Priest Pension Plan. The plan administrator of the Priest Pension Plan is the Pension Board, which are elected by the participants. The Pastoral Center has a few clergy who participate in the plan at June 30, 2019. The Pastoral Center made contributions of \$52,432 as of June 30, 2019. The Pastoral Center nor the Archdiocese has no additional obligation to fund nor sustain the Priest Pension Plan.

## Roman Catholic Archdiocese of San Antonio Pastoral Center

### Notes to Financial Statements

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#### Note 14. Postretirement Benefits Plan

The Archdiocese has a commitment to provide for postretirement healthcare and support benefits for eligible infirm and retired Archdiocesan priests. U.S. GAAP requires the accrual, during the years that the participant renders the necessary service, of the expected cost of providing those benefits to a participant, the employee's beneficiaries and covered dependents.

The following (unaudited) table presents the plan's status reconciled with amounts recognized in the Pastoral Center's statements of financial position at June 30, 2019:

Accumulated postretirement benefits obligation:	
Active participants fully eligible for benefits	\$ 2,919,020
Active participants not fully eligible for benefits	4,778,879
Retired participants	2,563,594
Postretirement benefits obligation	<u>\$ 10,261,493</u>
Postretirement-related change other than net periodic pension costs—unrecognized prior service gain	<u>\$ (321,655)</u>
Net period postretirement benefits cost for components:	
Service cost for period, net of amortization	\$ 568,024
Interest cost on accumulated postretirement benefits	417,523
Unrecognized net gain, immediate recognition	(662,114)
Net period postretirement benefits cost	<u>\$ 323,433</u>

A rollforward of the accrued postretirement benefit obligation at June 30, 2019, is summarized as follows:

Balance at beginning of year	\$ 10,295,090
Net periodic postretirement benefits cost	230,433
Claims paid	(264,030)
Balance at end of year	<u>\$ 10,261,493</u>

For measurement purposes, a 7.50% annual rate increase in the per capita cost of covered benefits (e.g., healthcare cost trend rate) was assumed for 2019; the rate is assumed to decrease gradually to 4.50% by the year 2040 and remain at that level thereafter. The healthcare cost trend rate assumption has a significant effect on the amounts reported. For example, increasing the assumed healthcare cost trend rate by one percentage point in each year would increase the accumulated postretirement benefits obligation (APBO) by \$2,018,905 as of June 30, 2019, and the aggregate of the service and interest cost components of net periodic postretirement benefits cost by \$254,159 for the year ended June 30, 2019. A reduction in assumed healthcare cost trend rate by one percentage point in each year would decrease the APBO by \$1,568,122 as of June 30, 2019 and the aggregate of the service and interest cost components by \$187,363 for the year ended June 30, 2019. The weighted-average discount rate used in determining the APBO at June 30, 2019 was 3.48%.

## Roman Catholic Archdiocese of San Antonio Pastoral Center

### Notes to Financial Statements

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#### Note 16. Due to Others

Amounts due to others are monies held for the benefit of other agencies and affiliates. Funds are noninterest-bearing and without repayment terms. Due to others at June 30, 2019 is as follows:

Casa de Padres	\$ 1,233,902
Custodian and operating agency accounts	24,233
	<u>\$ 1,258,135</u>

#### Note 17. Net Assets

Designated net assets without donor restriction at June 30, 2019, are as follows:

Plant and operations fund:	
Self-insurance programs	\$ 3,828,124
Archbishop's Appeal	5,151,697
Archdiocese of San Antonio	4,734
Hope for the Future	1,941,959
OSM, Inc.	2,463,388
Seton Home Endowment Fund, Inc.—Board designated	203,540
Catholic Television	83,284
Catholic Schools	59,641
Plant, net of payables	15,885,599
	<u>\$ 29,621,966</u>
Deposit and loan fund	<u>\$ 711,126</u>

Net assets restricted by time or purpose at June 30, 2019, are available for the following purposes:

Paul P. Baltos, Jr. Scholarship	\$ 29,177
Other specific purpose grants	190,538
	<u>\$ 219,715</u>

Net assets released from donor restrictions by incurring expenses satisfying restricted purposes or time restrictions specified by donors for the year ended June 30, 2019, as follows:

Specific Purpose Grants	\$ 129,329
Mary Jane Clark Endowment Fund	20,000
Paul P. Baltos, Jr. Scholarship Fund	4,609
	<u>\$ 153,938</u>

Net assets with donor restrictions at June 30, 2019, consist of the following:

Paul P. Baltos, Jr. Scholarship Fund—Corpus	\$ 289,448
	<u>\$ 289,448</u>

## Roman Catholic Archdiocese of San Antonio Pastoral Center

### Notes to Financial Statements

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#### Note 18. Endowment Funds

**Interpretation of relevant law for donor-restricted endowment funds:** In July 2006, the Uniform Law Commission approved the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as a modernized version of the Uniform Management of Institutional Funds Act of 1972, the model act governing the investment and management of donor-restricted endowment funds by not-for-profit organizations. Among its changes, UPMIFA prescribes new guidelines for expenditure of a donor-restricted endowment fund, including Subsection 4(a), which states, “unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution.”

Management has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result, the Pastoral Center classifies as net 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.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets held in perpetuity is classified as net assets restricted by time or purpose until those amounts are appropriated for expenditure by the Pastoral Center in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Pastoral Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Pastoral Center
- The investment policies of the Pastoral Center

The endowment net assets composition by type at June 30, 2019, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 318,625	\$ 318,625
Plant and Operations Fund:			
Board-designated endowment funds—Seton Home	203,540	-	203,540
	<u>\$ 203,540</u>	<u>\$ 318,625</u>	<u>\$ 522,165</u>

## Roman Catholic Archdiocese of San Antonio Pastoral Center

### Notes to Financial Statements

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#### Note 18. Endowment Funds (Continued)

The Board-designated endowment funds at June 30, 2019, consist of the following:

Seton Home Endowment Fund, Inc.	<u>\$ 203,540</u>
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Description of amount classified as net assets with donor restrictions (endowment only) at June 30, 2019, are as follows:

Paul P. Baltos, Jr. Scholarship Fund	<u>\$ 318,625</u>
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The Pastoral Center had the following changes in endowment net assets for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 200,779	\$ 334,057	\$ 534,836
Contributions	-	-	-
Investment return:			-
Investment income, gains and losses, net	2,761	9,177	11,938
Amount appropriated for expenditures	-	(24,609)	(24,609)
Endowment net assets at end of year	<u>\$ 203,540</u>	<u>\$ 318,625</u>	<u>\$ 522,165</u>

**Funds with deficiencies:** From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or SPMIFA requires the Pastoral Center to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2019.

**Return objectives and risk parameters:** The Pastoral Center endowment funds are managed by the CCF, and the Pastoral Center has adopted the CCF's investment policies for the endowment assets, which attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Pastoral Center must hold in perpetuity or for a donor-specified period(s), as well as Board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results which, when compared to the current market place, would be better than average performance for fund managers with similar styles primarily based upon three-year rolling returns and net of (after) investment fees and expenses. The Pastoral Center expects its endowment funds, over time, to provide an average rate of return comparable to the benchmarks outlined in the investment policy. Actual returns in any given year may vary from these benchmarks.

**Strategies employed for achieving objectives:** To satisfy its long-term rate-of-return objectives, CCF diversifies its portfolio among a number of investments managers, within the feasibility of cost efficiency, to limit risk and maximize investment opportunities. The goal of CCF is to preserve and maintain the real purchasing power of the principal of portfolios by realizing a real total annual return of 500 basis points over inflationary expectations for equity funds and 100-200 basis points over inflation expectations for fixed income funds, dependent upon quality exposure.

**Spending policy:** The Pastoral Center's current practice is to approve the annual budget for appropriation of expenditures. A formal spending or disbursement policy has not been adopted.

## Roman Catholic Archdiocese of San Antonio Pastoral Center

### Notes to Financial Statements

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#### Note 19. Leases

The following is a summary of leased property under capital leases included in property and equipment in the accompanying financial statements for the year ended June 30, 2019:

Office equipment	\$ 357,005
Less accumulated depreciation	<u>(1,103)</u>
	<u><u>\$ 355,902</u></u>

Amortization on leased property under capital leases is included in depreciation and amortization expense within general and administrative expenses in the accompanying statement of activities.

The Pastoral Center has commitments under noncancelable operating lease agreements. As of June 30, 2019, the Pastoral Center had outstanding commitments, which consists of leases for copy machines with the agreements expiring on January 1, 2023. Rental expense totaled \$73,435 for the year ended June 30, 2019.

Future minimum lease payments under the noncancelable operating leases and future minimum lease payments under capital lease agreements as of June 30, 2019, are as follows:

Years ending June 30:	Capital Leases	Operating Leases
2020	\$ 74,114	\$ 10,105
2021	80,676	6,576
2022	80,676	4,612
2023	79,489	2,166
2024	78,866	-
Thereafter	6,576	-
	<u>400,397</u>	<u>\$ 23,459</u>
Less amount of net minimum lease payments attributable to interest (4.75%)	44,411	
Present value of net minimum lease payments	<u><u>\$ 355,986</u></u>	

#### Note 20. Related-Party Transactions

For the year ended June 30, 2019, the Pastoral Center recorded Archdiocesan assessments and the corresponding accounts receivable resulting from these transactions.

All Archdiocesan agencies participate under the Archdiocesan insurance plans. For the year ended June 30, 2019, the Pastoral Center recorded insurance premiums and insurance program expenses in the statements of activities. Receivables from these transactions are included in accounts receivable at year-end.

The Archdiocese assesses its parishes an annual quota based on Sunday collections for the Archbishop's Appeal. Amounts raised in excess of set goals are rebated to the parishes that exceed their goal.

## Roman Catholic Archdiocese of San Antonio Pastoral Center

### Notes to Financial Statements

#### Note 21. Commitments

The Archbishop of San Antonio is the signer and guarantor of loans incurred by parishes, schools and agencies under his jurisdiction. These loans are not recognized in the financial statements, as these are only contingent liabilities, as the Archbishop is only responsible if the parishes, schools and agencies do not pay the obligations.

As of June 30, 2019, the Pastoral Center had construction commitments totaling approximately \$646,000, of which approximately \$134,000 had been incurred.

#### Note 22. Contingencies

The Archdiocese is involved in various claims and legal actions which arise in the general course of the operations of the Archdiocese and its parishes, schools and other activities. The Archdiocese believes the majority of these claims are subject to coverage under the Archdiocese's insurance programs. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Pastoral Center's financial position, changes in net assets or liquidity.

#### Note 23. Concentration of Credit Risk

Cash balances are maintained by the Pastoral Center at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to a maximum of \$250,000. The Pastoral Center held cash balances in excess of the \$250,000 at various times during the year.

#### Note 24. Classification of Expenses

The following reflects the classification of the Pastoral Center's expenses, by both the underlying nature of the expense and function, as of June 30, 2019. An individual expense is allocated to the underlying activity through which it was incurred. The statement of activities includes certain expenses that must be allocated on a reasonable basis, which has been consistently applied: certain costs including bank and credit card fees, payroll benefits, depreciation, rent and occupancy have been allocated among the programs and supporting services benefited.

	Program Services		Supporting Services		Total 2019
	Education and Formation	Ministries	General, Administrative, and Auxiliary Services	Insurance Programs	
Salaries and benefits	\$ 2,284,077	\$ 4,615,573	\$ 2,079,398	\$ 1,107,039	\$ 10,086,087
Contracted services, primarily insurance premiums	344,588	802,180	934,252	4,787,449	6,868,469
Gifts, donations and assessments	2,560,290	3,731,749	253,291	-	6,545,330
Office and occupancy costs	189,535	1,554,424	298,511	39,406	2,081,876
Auxiliary expenses	716,720	355,233	77,446	608,153	1,757,552
Professional development	41,403	637,847	47,729	-	726,979
Depreciation expense	79,043	228,829	121,958	17,964	447,794
Bank and credit card fees	7,803	51,840	624	-	60,267
Provision for allowance for doubtful accounts	43,637	(26,674)	(51,380)	52,597	18,180
Property tax	-	-	72,825	-	72,825
Insurance claims	-	-	-	11,424,169	11,424,169
Total	\$ 6,267,096	\$ 11,951,001	\$ 3,834,654	\$ 18,036,777	\$ 40,089,528

## Roman Catholic Archdiocese of San Antonio Pastoral Center

### Notes to Financial Statements

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#### Note 25. Financial Assets Available and Liquidity

The table below represents the Pastoral Center's financial assets available for general expenditures from operations that are without donor restrictions or other restrictions limiting the uses within one year of June 30, 2019.

Financial assets at June 30, 2019	\$ 37,000,055
Less those unavailable for general expenditures within one fiscal year due to:	
Net receivables not due within one year	(577,901)
Contractual or donor restrictions:	
Restricted by time or purpose	(219,715)
Restricted for scholarships	(289,448)
Board designations, financial assets:	
Quasi-endowment fund, Seton Home	(203,854)
Archbishop's Appeal	(5,353,478)
Old Spanish Missions, Inc.	(2,674,070)
Custodian accounts held for others	(2,671,696)
Amounts set aside for reserve for	
Insurance programs	<u>(18,632,945)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,376,948</u>

The Pastoral Center is substantially supported by Archdiocesan assessments and contributions. The Pastoral Center must maintain sufficient resources to meet responsibilities to its Archdiocesan parishes and agencies, including its donors. As part of the Pastoral Center'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. In addition, the Pastoral Center invests cash in excess of annual budget requirements in certificates of deposits with laddered maturities ranging between three and seven years. Occasionally, the board designates a portion of any operating surplus to its plant and operations fund, and deposit and loan fund. In the event of an unanticipated liquidity need, the Pastoral Center also could draw upon their available line of credit. During fiscal year 2019, the Pastoral Center did not draw nor have an outstanding balance on this line of credit.

