# Roman Catholic Archdiocese of San Antonio Pastoral Center

Consolidated Financial Statements

June 30, 2022 and 2021

## Independent Auditors' Report

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

**Opinion**

We have audited the consolidated financial statements of Roman Catholic Archdiocese of San Antonio Pastoral Center (the Pastoral Center), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Pastoral Center as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Pastoral Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Other Matter**

The financial statements of the Roman Catholic Archdiocese of San Antonio Pastoral Center, as of and for the year ended June 30, 2021, were audited by other auditors whose report thereon, dated July 11, 2022, expressed an unmodified opinion.

**Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pastoral Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pastoral Center's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pastoral Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

Minneapolis, Minnesota
August 15, 2023

## Roman Catholic Archdiocese of San Antonio Pastoral Center

Consolidated Statements of Financial Position
June 30, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 25,649,371 | $ 25,895,207 |
| Pledges receivable, net | 722,018 | 798,713 |
| Accounts receivable, net | 4,404,702 | 2,411,951 |
| Insurance programs from insurance company | - | 1,406,017 |
| Prepaid expenses and other assets | 228,541 | 248,563 |
| Funds held by insurance company | 111,771 | 134,196 |
| Investments | 13,774,246 | 15,932,452 |
| Cash value of life annuities | 1,307,717 | 1,283,804 |
| Notes receivable from related entities, net | 219,896 | 543,280 |
| Buildings and equipment, net | 12,294,063 | 6,524,432 |
| Properties held for lease, net | 2,160,585 | 2,201,173 |
| Land held for future use | 1,161,029 | 1,308,349 |
| Total assets | $ 62,033,939 | $ 58,688,137 |
| **Liabilities and Net Assets** | | |
| **Liabilities** | | |
| Accounts payable and accrued expenses | $ 6,301,134 | $ 5,368,237 |
| Deposits payable | 220,016 | 218,024 |
| Advances from insurance company for losses exceeding deductible | 960,060 | - |
| Capitalized lease obligations | 172,068 | 222,454 |
| Self-insurance reserves | 6,520,739 | 7,636,326 |
| Postretirement benefits obligation | 7,922,653 | 11,433,183 |
| Note payable to bank | - | 1,153,100 |
| Deferred revenue | 759,441 | 324,346 |
| Due to others | 1,332,368 | 1,304,074 |
| Total liabilities | 24,188,479 | 27,659,744 |
| **Net Assets** | | |
| Without donor restrictions: | | |
| Undesignated | 9,037,201 | 8,372,754 |
| Designated: | | |
| Plant and operations fund | 27,669,847 | 21,412,440 |
| Deposit and loan fund | 527,776 | 571,885 |
| Total without donor restrictions | 37,234,824 | 30,357,079 |
| With donor restrictions: | | |
| Restricted by time or purpose | 321,188 | 381,866 |
| Restricted for scholarships | 289,448 | 289,448 |
| Total with donor restrictions | 610,636 | 671,314 |
| Total net assets | 37,845,460 | 31,028,393 |
| Total liabilities and net assets | $ 62,033,939 | $ 58,688,137 |

*See notes to financial statements*

## Roman Catholic Archdiocese of San Antonio Pastoral Center

Consolidated Statement of Activities
Year Ended June 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Revenue, Gains and Other Support** | | | |
| Archdiocesan assessments | $ 10,029,612 | $ - | $ 10,029,612 |
| Contributions and support | 7,172,968 | 185,256 | 7,358,224 |
| Insurance premiums, net of rebates | 21,863,485 | - | 21,863,485 |
| Archbishop's Appeal, net of rebates | 4,021,767 | - | 4,021,767 |
| Grant income | 946,122 | 71,000 | 1,017,122 |
| Auxiliary activities | 1,593,882 | - | 1,593,882 |
| Payroll protection program loan forgiveness | 1,153,100 | - | 1,153,100 |
| Advertising revenue and sales | 178,228 | - | 178,228 |
| Program fees | 89,478 | - | 89,478 |
| Fees from operations | 340,362 | - | 340,362 |
| Investment loss, net | (1,776,440) | (61,778) | (1,838,218) |
| Educational | 196,509 | - | 196,509 |
| Deposit and loan fund-interest income | 13,809 | - | 13,809 |
| Gain on sale of assets | 1,281,534 | - | 1,281,534 |
| Other revenues | 78,159 | - | 78,159 |
| Net assets released from donor restrictions | 255,156 | (255,156) | - |
| Total revenue, gains and other support | 47,437,731 | (60,678) | 47,377,053 |
| **Expenses** | | | |
| Program services: | | | |
| Education and Foundation | 5,189,097 | - | 5,189,097 |
| Ministry | 9,061,518 | - | 9,061,518 |
| Supporting services: | | | |
| General, administrative and auxiliary services | 7,031,917 | - | 7,031,917 |
| Insurance programs | 23,230,799 | - | 23,230,799 |
| Total expenses | 44,513,331 | - | 44,513,331 |
| Increase in net assets before postretirement-related change | 2,924,400 | (60,678) | 2,863,722 |
| **Other changes to net assets** | | | |
| Other components of postretirement benefit costs | 3,953,345 | - | 3,953,345 |
| Changes in net assets | 6,877,745 | (60,678) | 6,817,067 |
| **Net Assets, Beginning** | 30,357,079 | 671,314 | 31,028,393 |
| **Net Assets, Ending** | $ 37,234,824 | $ 610,636 | $ 37,845,460 |

# Roman Catholic Archdiocese of San Antonio Pastoral Center

Consolidated Statement of Activities
Year Ended June 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Revenue, Gains and Other Support** | | | |
| Archdiocesan assessments | $ 10,713,732 | $ - | $ 10,713,732 |
| Contributions and support | 6,960,893 | 246,530 | 7,207,423 |
| Insurance premiums, net of rebates | 20,865,935 | - | 20,865,935 |
| Archbishop's Appeal, net of rebates | 4,475,560 | - | 4,475,560 |
| Grant income | 558,780 | 180,000 | 738,780 |
| Auxiliary activities | 584,191 | - | 584,191 |
| Advertising revenue and sales | 234,126 | - | 234,126 |
| Program fees | 52,725 | - | 52,725 |
| Fees from operations | 368,808 | - | 368,808 |
| Investment return, net | 2,531,701 | 101,837 | 2,633,538 |
| Educational | 181,630 | - | 181,630 |
| Deposit and loan fund-interest income | 16,069 | - | 16,069 |
| Gain on sale of assets | 511,107 | - | 511,107 |
| Other revenues | 861,409 | - | 861,409 |
| Net assets released from donor restrictions | 349,795 | (349,795) | - |
| Total revenue, gains and other support | 49,266,461 | 178,572 | 49,445,033 |
| **Expenses** | | | |
| Program services: | | | |
| Education and Foundation | 4,112,208 | - | 4,112,208 |
| Ministry | 9,884,092 | - | 9,884,092 |
| Supporting services: | | | - |
| General, administrative and auxiliary services | 7,528,963 | - | 7,528,963 |
| Insurance programs | 24,320,393 | - | 24,320,393 |
| Total expenses | 45,845,656 | - | 45,845,656 |
| Increase in net assets before postretirement-related change other than net periodic pension costs | 3,420,805 | 178,572 | 3,599,377 |
| **Postretirement-Related Change Other Than Net Periodic Pension Costs** | (18,910) | - | (18,910) |
| Changes in net assets | 3,401,895 | 178,572 | 3,580,467 |
| **Net Assets, Beginning** | 26,955,184 | 492,742 | 27,447,926 |
| **Net Assets, Ending** | $ 30,357,079 | $ 671,314 | $ 31,028,393 |

*See notes to financial statements*

## Roman Catholic Archdiocese of San Antonio Pastoral Center

Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Changes in net assets | $ 6,817,067 | $ 3,580,467 |
| Adjustments to reconcile changes in net assets to net cash from operating activities: | | |
| Depreciation expense: | | |
| Building and equipment | 602,264 | 603,181 |
| Property held for lease | 40,588 | 40,589 |
| Provision for allowance for doubtful accounts: | | |
| Accounts receivable | (169,300) | 322,938 |
| Notes receivable | (24,576) | (13,728) |
| Pledges receivable | (25,380) | (57,652) |
| Unrealized and realized loss (gain) on investments, net | 2,072,865 | (2,408,434) |
| Amortization of deferred rent income | (60,000) | (40,091) |
| Gain on sale of land held for future use | (427,939) | (394,496) |
| Loss on sale of plant and property held for sale | - | 143,089 |
| Gain on sale of assets | (853,595) | (116,611) |
| Forgiveness of payroll protection program loan | (1,153,100) | - |
| Postretirement-related change other than net periodic pension costs | (22,379) | 18,910 |
| Changes in operating assets and liabilities: | | |
| Pledges receivable | 102,075 | 347,415 |
| Accounts receivable | (1,823,451) | (2,223,983) |
| Grants receivable | - | 122,155 |
| Prepaid expenses and other assets | 42,447 | (89,756) |
| Funds held by insurance company | (6,473) | (20,562) |
| Insurance programs due to/from insurance company | 2,366,077 | (604,316) |
| Cash value of life annuities | (23,913) | (24,352) |
| Accounts payable and accrued expenses | 932,897 | 3,072,575 |
| Self-insurance reserve | (1,115,587) | 2,247,389 |
| Postretirement benefits obligation | (3,488,151) | 216,221 |
| Deferred revenue | 495,095 | (122,178) |
| Due to others | 28,294 | 25,367 |
| Net cash flows from operating activities | 4,305,825 | 4,624,137 |
| **Cash Flows From Investing Activities** | | |
| Purchases of investments | $ (6,589,379) | $ (2,675,232) |
| Proceeds from sale of investments | 6,681,193 | 2,886,742 |
| Proceeds from plant and property held by sale | 116,400 | 746,911 |
| Proceeds from sale of land held for future use | 575,259 | 526,165 |
| Proceeds from sale of fixed assets | 818,711 | 162,609 |
| Purchase of land, buildings and equipment | (6,453,411) | (1,354,867) |
| Net cash flows from investing activities | (4,851,227) | 292,328 |

*See notes to financial statements*

Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| **Cash Flows From Financing Activities** | | |
| Issuance of notes receivable | $ - | $ (2,710) |
| Collections of notes receivable | 347,960 | 334,875 |
| Increase (decrease) in deposits payable | 1,992 | (111,862) |
| Payments on capitalized lease obligations | (50,386) | (65,523) |
| Net cash from financing activities | 299,566 | 154,780 |
| Net change in cash and cash equivalents | (245,836) | 5,071,245 |
| **Cash and Cash Equivalents, Beginning** | 25,895,207 | 20,823,962 |
| **Cash and Cash Equivalents, Ending** | $ 25,649,371 | $ 25,895,207 |

*See notes to financial statements*

## 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 consolidated 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

The Pastoral Center's accompanying consolidated 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 Clergy and 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.

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 Archbishop's 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.

### Basis of Presentation

The consolidated 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).

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 are based on time or purpose and 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. 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.

### Cash and Cash Equivalents

For consolidated 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.

### Concentrations of Credit Risk

The Pastoral Center's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and investments. The Pastoral Center places its cash, cash equivalents and investments with high credit quality financial institutions. Cash and cash equivalents may, at times, exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation up to a maximum of $250,000. The Pastoral Center monitors its risk under these arrangements and has not experienced any losses in such accounts.

### Pledges Receivable, Net

Pledges receivable consist of unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value of their future cash flows.

The discounts on those amounts are computed using United States Treasury Bill rates with maturities commensurate to the time period of expected collection of pledges. Discount rates used for the years ended June 30, 2022 and 2021 ranged from 2% to 2.75%. In subsequent years, amortization of the discounts is included in contributions and support in the statement of activities. The Pastoral Center determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. The allowance for doubtful accounts for pledges receivable totaled $121,936 and $147,316 at June 30, 2022 and 2021, respectively.

### Accounts Receivable, Net

Accounts receivable are stated at amounts expected to be received for insurance programs, interest, Archdiocesan assessments and other Archdiocesan entities. Management closely monitors outstanding balances and writes off all balances past due after a certain period of time and for which collection efforts have been exhausted. The allowance for doubtful accounts for accounts receivable totaled $1,607,026 and $1,776,326 at June 30, 2022 and 2021, respectively.

### 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.

Investments, in general, are subject to various risks, including credit, interest and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated financial statements.

### Land, Buildings and Equipment and Properties Held for Lease

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:

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

### Impairment of Long-Lived Assets

At each reporting date, the Pastoral Center evaluates the carrying amount of its long-lived assets. In the event that facts and circumstances indicate that the cost of long-lived assets may be impaired, an evaluation of recoverability would be performed. If an evaluation of impairment is required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying value to determine if an adjustment to fair value or discounted cash flow value is required. There were no impairments in fiscal years 2022 or 2021.

### Land Held for Future Use

Land held for future use is stated at cost, if purchased, or at fair value, if donated.

### 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

In accordance with accounting standards, the Pastoral Center evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return of for the resources transferred; or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Pastoral Center applies guidance under Topic 606. If the transfer of assets is determined to be a contribution, the Pastoral Center evaluates whether the contribution is conditional based upon whether the agreement includes both: (1) one or more barriers that must be overcome before the Pastoral Center is entitled to the assets transferred and promised; and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

The Pastoral Center has the following revenue classifications that are not contract revenues and are recognized as follows:

**Archdiocesan Assessments**

Archdiocesan Assessments are levied upon 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. Archdiocesan Assessments are billed monthly to parishes and are recognized as revenue in the month billed. 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.

**Contributions**

Contributions are recognized as revenue when an unconditional promise to give is made. Contributions are recorded as with or without donor restrictions, depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires-that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released to net assets without donor restrictions and are reported on the statements of activities as net assets released from donor restrictions. Conditional promises to give-that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

**Insurance Premiums**

Annual premiums for workers' compensation, property, liability and health insurance are allocated to various entities for their share of the self-insurance programs. The premium is billed to all affiliate locations in monthly installments to reimburse the Pastoral Center for premiums and claims paid on their behalf. Insurance premiums are recognized as revenue in the month billed.

Payments for insurance premiums received in advance for future periods are recorded as deferred revenues.

**Archbishop's Appeal, Net of Rebates**

Contributions to the Archbishop's Appeal are recognized as revenue when an unconditional promise to give is made.

**Grant Income**

A portion of the Pastoral Center's revenue is derived from cost-reimbursable federal, state and local contracts and grants, which are conditional upon certain performance requirements and or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Pastoral Center has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No amounts have been received in advance from federal, state or local contracts and grants at June 30, 2022 and 2021.

### Exchange Transactions

The Pastoral Center earns (exchange) revenue from governmental funding, auxiliary activities, advertising revenue and fee from operations. Revenue is recognized based on the following steps: (i) identification of contract with customer, (ii) determination of performance obligations; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations and (v) recognition of revenue when (or as) the Pastoral Center satisfies each performance obligation. Prices are specific to a distinct performance obligation and do not consist of multiple transactions. There are no complex, unique or nonrecurring contractually derived revenues. There are also no incremental costs of obtaining a contract and no significant financing components.

#### Auxiliary Activities

Auxiliary activities relates to the income generated by the business office, development office, archives, Catholic Television (CTSA), Hope for the Future office and the Tribunal Office which provides services to other agencies of the Archdiocese. Revenue related to these services is recognized over time as the departments provide the associated services. A portion of the Pastoral Center's auxiliary activities also relates to special events. The Pastoral Center recognizes the exchange portion of special events revenue equal to the fair value of direct benefits to donors and contribution income for the excess received when the event takes places.

#### Advertising Revenue and Sales

Advertising revenue and sales is generated from advertising purchases and subscriptions to the publication of *Today's Catholic*, the Pastoral Center's newspaper. Annual subscription of the newspaper is $16 a year. The Pastoral Center recognizes revenue when the newspaper is published.

#### Fees From Operations

Program fees is primarily generated through rental agreements with third parties. Rental income is recognized over time as the services are provided.

### Contributed Services and Assets

Contributed services are reflected in the consolidated 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.

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

### Functional Allocations of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements 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.

**Recent Accounting Pronouncements**

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees and lessors are required to recognize lease assets and lease liabilities in the statements of financial position for all leases with terms longer than 12 months. If the lease is 12 months or less in length, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and liabilities. If this election is made, the lessee should recognize the lease expense on a straight-line basis over the lease term. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statements of activities. ASU No. 2016-02 is effective for the Pastoral Center's year ending June 30, 2023. The Pastoral Center is currently evaluating the effects adoption of this guidance will have on its consolidated financial statements.

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*, requiring an entity to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets as well as enhanced disclosures. ASU No. 2020-07 should be applied on a retrospective basis and effective for the Pastoral Center for its year ending June 30, 2023. The Pastoral Center is currently evaluating the effects adoption of this guidance will have on its consolidated financial statements.

In June 2016 FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments (Topic 326)*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. The Company is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its results of operations, financial position and cash flows.

**Federal Income Taxes**

The Pastoral Center is organized as a Texas nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as organizations described in IRC 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii) and have been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. 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 years ended June 30, 2022 and 2021. Uncertain tax provisions, if any, are recorded in accordance with accounting guidance for income taxes, which requires the recognition of a liability for tax provisions taken that do not need the more likely than not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at June 30, 2022 and 2021.

**Contingencies**

Certain conditions may exist as of the date the consolidated 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 consolidated 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 consolidated 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 consolidated 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 years ended June 30, 2022 and 2021, totaled $149,386 and $94,408, respectively.

**Subsequent Events**

The Pastoral Center has evaluated subsequent events through August 15, 2023, the date the consolidated financial statements were available to be issued.

**Reclassifications**

Certain prior-year amounts have been reclassified to conform to the current-year presentation. The reclassifications had no impact on the previously reported net assets or changes in net assets.

## 2. Pledges Receivable

Pledges receivable, net consist of the following:

| | June 30 2022 | June 30 2021 |
|---|---|---|
| OSM, Inc. | $ 99,667 | $ 248,697 |
| Pastoral Center, primarily Archbishop's Appeal | 622,351 | 550,016 |
| Total pledges receivable, net | $ 722,018 | $ 798,713 |

At June 30, 2022 and 2021, pledges receivable net of allowance are included as designated net assets without donor restrictions.

Total amount of pledges receivable, net is summarized as follows:

| | June 30 2022 | June 30 2021 |
|---|---|---|
| Less than one year | $ 826,214 | $ 828,184 |
| One to five years | 17,905 | 119,287 |
| | 844,119 | 947,471 |
| Less provision for allowance for pledges receivable | (121,936) | (147,316) |
| Less discount for present value | (165) | (1,442) |
| Pledges receivable, net | $ 722,018 | $ 798,713 |

## 3. Accounts Receivable

Accounts receivable consist of the following:

| | June 30 2022 | June 30 2021 |
|---|---|---|
| Insurance programs | $ 751,063 | $ 1,067,095 |
| Archdiocesan assessments | 982,688 | 924,714 |
| Other Archdiocesan entities (related parties) | 4,276,759 | 2,193,455 |
| Interest receivable | 1,219 | 3,013 |
| Total accounts receivable | 6,011,729 | 4,188,277 |
| Less allowance for uncollectible accounts | (1,607,026) | (1,776,326) |
| Total accounts receivable, net | $ 4,404,704 | $ 2,411,951 |

## 4. Investments

The Pastoral Center's investments are invested at various financial institutions with the majority of the investments managed by the CCF.

Investments consist of the following:

| | June 30 | |
|---|---|---|
| | **2022** | **2021** |
| CDs-negotiable | $ 5,477,603 | $ 5,778,102 |
| Mutual funds | 5,936,149 | 7,241,126 |
| CUIT-equity securities | 2,360,494 | 2,913,224 |
| Total | $ 13,774,246 | $ 15,932,452 |

## 5. Fair Value Measurements

Accounting standards 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.

Level 1 - Level 1 assets include investments in mutual funds.

Level 2 - Level 2 assets include investments in negotiable Certificates of Deposit (CDs). The fair values are estimated using Level 2 inputs based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

The following tables summarizes the assets measured at fair value on a recurring basis as of June 30, 2022 and 2021, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

| | June 30, 2022 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Investments: | | | | |
| CDs-negotiable | $ - | $ 5,477,603 | $ - | $ 5,477,603 |
| Mutual funds | 8,296,643 | - | - | 8,296,643 |
| | $ 8,296,643 | $ 5,477,603 | $ - | $ 13,774,246 |

| | June 30, 2021 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Investments: | | | | |
| CDs-negotiable | $ - | $ 5,778,102 | $ - | $ 5,778,102 |
| Mutual funds | 10,154,350 | - | - | 10,154,350 |
| | $ 10,154,350 | $ 5,778,102 | $ - | $ 15,932,452 |

## 6. Cash Value Life Annuities

Cash value life annuities consist of three flexible premium deferred annuity certificates which provide for a death benefit in the event of the annuitant's death. The cash value of the life annuities totaled $1,307,717 and $1,283,804 at June 30, 2022 and 2021, respectively. The cash value life annuities have a minimum guaranteed interest rate of 1.5% for the life of the certificates.

## 7. Notes Receivable From Related Entities

The Pastoral Center manages and is responsible for long-term notes made to entities related to the Archdiocese. The plant and operations fund has net notes receivable due from parishes and other entities totaling $219,896 and $543,280 at June 30, 2022 and 2021, respectively. 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 | June 30 2022 | June 30 2021 |
|---|---|---|---|---|---|
| MCSP, Inc. | 6.25% | 06/30/2021 | A | $ 2,613,288 | $ 2,613,288 |
| St. Leonard | 2.50% | 06/01/2026 | B | - | 128,143 |
| St. Jude | 3.00% | 10/31/2024 | C | 104,605 | 147,183 |
| St. John Paul II High School | 5.50% | 10/01/2024 | D | 57,609 | 80,119 |
| Sacred Heart | 2.00% | 02/01/2030 | E | - | 155,864 |
| Other notes receivable | 0.00%-7.00% | Various | Various | 98,547 | 97,412 |
| | | | | 2,874,049 | 3,222,009 |
| | | Allowance for doubtful accounts | | (2,654,153) | (2,678,729) |
| | | | | $ 219,896 | $ 543,280 |

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 years ended June 30, 2022 and 2021. The allowance for uncollectible accounts for this note receivable totaled $2,613,288 during the years ended June 30, 2022 and 2021, respectively.

B. St. Leonard repayment terms include monthly payments of principal and accrued interest until date of maturity. Payments received during fiscal years 2022 and 2021 totaled $128,143 and $21,725, respectively.

C. St. Jude repayment terms include the first payment of principal and accrued interest due on December 1, 2020, followed by monthly payments of principal and accrued interest until date of maturity. Payments received during fiscal years 2022 and 2021 totaled $42,577and $68,150, respectively.

D. St. John Paul II High School terms include monthly payments of principal and accrued interest until date of maturity. Payments received during fiscal years 2022 and 2021 totaled $22,510 and $21,310, respectively.

E. Sacred Heart repayment terms include the first payment of principal and accrued interest due on February 1, 2021, followed by monthly payments of principal and accrued interest until date of maturity. Payments received during fiscal years 2022 and 2021 totaled $155,864 and $44,136, respectively.

## 8. Buildings and Equipment

Buildings and equipment consists of the following:

| | June 30 | |
|---|---|---|
| | 2022 | 2021 |
| Buildings and land improvements | $ 11,663,398 | $ 12,316,832 |
| Equipment | 1,061,403 | 1,050,664 |
| Construction in progress | 8,012,999 | 1,831,610 |
| | 20,737,800 | 15,199,106 |
| Less accumulated depreciation | (8,443,737) | (8,674,674) |
| | $ 12,294,063 | $ 6,524,432 |

Depreciation expense for buildings and equipment totaled $602,264 and $603,181 at June 30, 2022 and 2021, respectively.

The Pastoral Center had construction commitments totaling $5,294,832 and $5,055,456 at June 30, 2022 and 2021, respectively.

Construction in progress is comprised of the construction of the St. John Seminary Pilgrimage Center and renovations to the Pastoral Center.

## 9. Properties Held for Lease

Properties held for lease at consist of land and buildings as follows:

| | June 30 | |
|---|---|---|
| | 2022 | 2021 |
| Real estate ground lease (A) | $ 300,031 | $ 300,031 |
| Catholic Charities (B) | 283,539 | 283,539 |
| Boerne Stage Road (C) | 1,792,483 | 1,792,483 |
| St. Stephen's Property (D) | 765,667 | 765,667 |
| | 3,141,720 | 3,141,720 |
| Less accumulated depreciation | (981,135) | (940,547) |
| Total | $ 2,160,585 | $ 2,201,173 |

Depreciation expense for buildings and equipment for properties held for lease totaled $40,588 and $40,589 at June 30, 2022 and 2021, respectively.

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 to 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 virtual opening of the project occurred on June 30, 2021, and the base rent was adjusted to $117,000 per year, effective July 1, 2021, with subsequent CPI percentage increases.

The net carrying value of the property held for lease totaled $213,015 and $223,016, respectively, net of accumulated depreciation of $87,016 and $77,015 at June 30, 2022 and 2021, respectively. Rental income and expenses for the lease are as follows:

| | Years Ended June 30 | |
|---|---|---|
| | 2022 | 2021 |
| Rental income | $ 117,000 | $ 117,000 |
| Expenses: | | |
| Other | (13,090) | (2,091) |
| Depreciation | (10,001) | (10,001) |
| Net rental income | $ 93,909 | $ 104,908 |

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 the 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 $242,177 and $249,268, respectively, net of accumulated depreciation of $41,362 and $34,271 at June 30, 2022 and 2021, respectively. Rental income and expenses for the Catholic Charities are as follows:

| | Years Ending June 30 | |
|---|---|---|
| | 2022 | 2021 |
| Rental income | $ 36,000 | $ 36,000 |
| Expenses: | | |
| Depreciation | (7,091) | (7,091) |
| Net rental income | $ 28,909 | $ 28,909 |

C. **Boerne Stage Road**: On September 25, 2015, the Pastoral Center purchased 4.41 acres of land and improvements for $1,192,483 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 for 50% of repairs and maintenance costs of the water wells and all other maintenance is at the tenant's expense. The tenant will also reimburse the landlord for 50% of property taxes. 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 $1,648,130 and $1,669,254, respectively, net of accumulated depreciation $144,353 and $123,229 at June 30, 2022 and 2021.

Rental income and expenses for the Boerne Stage Road are as follows:

| | Years Ending June 30 | |
|---|---|---|
| | 2022 | 2021 |
| Rental income | $ 60,000 | $ 60,000 |
| Expenses: | | |
| Other | (7,550) | (6,970) |
| Depreciation | (21,125) | (21,125) |
| Net rental income | $ 31,325 | $ 31,905 |

D. **St. Stephen's Property**: In September 2017, the Pastoral Center received land and a 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 was amended on July 1, 2019, and the base rent was reduced to $0. The lease terminates on June 30, 2024, and is to be used for office and storage space.

The net carrying value of this property held for lease totaled $57,264 and $59,636, respectively, net of accumulated depreciation of $708,403 and $706,032 at June 30, 2022 and 2021, respectively.

Rental income and expenses for the St. Stephen's Property is as follows:

| | Years Ending June 30 | |
|---|---|---|
| | 2022 | 2021 |
| Rental income | $ - | $ - |
| Expenses: | | |
| Other | - | - |
| Depreciation | (2,372) | (2,372) |
| Net rental income (loss) | $ (2,372) | $ (2,372) |

## 10. Purchase Commitment From Bank – Tax Credits

The Pastoral Center has a commitment letter dated August 8, 2018, from a bank to purchase Texas Historic Rehabilitation Tax Credits issued by the Texas Comptroller of Public Accountants for 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. For the years ended June 30, 2022 and 2021, the Pastoral Center earned $0 and $786,380, respectively, for the sale of tax credits, which is included in other revenues in the accompanying statements of activities.

## 11. Note Payable to Bank

On April 21, 2020, the Pastoral Center signed a note payable agreement with Frost Bank in the amount of $1,153,100, pursuant to the Paycheck Protection Program (PPP) under Division A, Title 1 of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which was enacted on March 27, 2020. Subsequently on June 5, 2020, this agreement was amended per the Notice of Changes in Terms to Paycheck Protection Program Promissory note with a maturity date of April 21, 2022, and bears interest at a rate of 1% per annum, with payments set to commence in November 21, 2020. Funds from the loan may be used for payroll, employee benefits, mortgage payments, rent, utilities and interest on other long-term debt obligations. The Pastoral Center intends to use the entire loan amount for qualifying expenses as described in the CARES Act.

On July 21, 2021, the Pastoral Center submitted its application to the SBA for forgiveness of the PPP Loan and on August 2, 2021, Frost notified the Pastoral Center that the entire $1,153,100 was forgiven by the SBA. The Pastoral Center believes it has met all the requirements for forgiveness, as 100% of the proceeds were utilized to cover eligible payroll related expenses incurred during the *covered period* (as defined in the Payroll Protection Program Flexibility Act). The Pastoral Center recognized a gain on extinguishment of debt of $1,153,100 in August 2021, which will be reflected in the consolidated financial statements for the year ended June 30, 2022.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act (as amended by the Economic Aid Act), all Organization is required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

### Deposits Payable (Related Entities)

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 totaled $220,016 and $218,024 at June 30, 2022 and 2021, respectively. Deposits bear interest at rates ranging from 0.0% to 1.2% for parishes and entities based on the time commitment.

## 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. The deductible for wind and hail claims is $500,000 with a $1,000,000 self-insured retention ($1,500,000 total). 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. Effective July 1, 2017, the Archdiocese switched workers' compensation to a guaranteed cost program and is 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 consolidated financial statements cannot be determined. Self-insurance reserve totaling $6,520,739 and $7,636,326 at June 30, 2022 and 2021, respectively, 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 when they become known.

## 13. Pension Plans

The Archdiocese sponsors a defined contribution, noncontributory, pension plan for all permanent fulltime 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 totaled approximately $311,000 and $354,000 at June 30, 2022 and 2021, respectively.

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 totaling approximately $65,000 and $79,000 at June 30, 2022 and 2021, respectively, 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 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, 2022 and 2021. The Pastoral Center made contributions of $37,760 and $31,088 as of June 30, 2022 and 2021, respectively. The Pastoral Center nor the Archdiocese has no additional obligation to fund nor sustain the Priest Pension Plan.

## 14. Postretirement Benefits Plan

The Archdiocese has a commitment to provide for postretirement health care 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 table presents the plan's status reconciled with amounts recognized in the Pastoral Center's statements of financial position:

| | Years Ending June 30 | |
|---|---|---|
| | 2022 | 2021 |
| Accumulated postretirement benefits obligation: | | |
| Active participants fully eligible for benefits | $ 1,565,551 | $ 2,093,722 |
| Active participants not fully eligible for benefits | 3,412,932 | 5,934,493 |
| Retired participants | 2,944,170 | 3,404,968 |
| Postretirement benefits obligations | $ 7,922,653 | $ 11,433,183 |
| Postretirement-related change other than net periodic pension costs-unrecognized prior service plan | $ 22,379 | $ (18,910) |
| Net period postretirement benefits cost for components: | | |
| Service cost for period, net of amortization | $ 692,167 | $ 630,573 |
| Interest cost on accumulated postretirement benefits | 315,455 | 293,587 |
| Unrecognized net (gain) loss, immediate recognition | (4,246,421) | (435,128) |
| Net period postretirement benefits cost | $ (3,238,799) | $ 489,032 |

A roll-forward of the accrued postretirement benefit obligation is summarized as follows:

| | Years Ending June 30 | |
|---|---|---|
| | 2022 | 2021 |
| Balance at beginning of year | $ 11,433,183 | $ 11,198,052 |
| Net periodic postretirement benefit cost | (3,238,799) | 489,032 |
| Claims paid | (271,731) | (253,901) |
| Balance at end of year | $ 7,922,653 | $ 11,433,183 |

For measurement purposes, annual rate increases of 7.50% and 6.00%, for Pre-65 and Post-65, respectively, in the per capita cost of covered benefits (e.g., health care cost trend rate) was assumed for 2022; the rates are assumed to decrease gradually to 4.50% by the year 2043 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 4.45% and 2.79% at June 30, 2022 and 2021, respectively.

The plan experienced an overall net gain of approximately $4,246,000 during the year ended June 30,2022. This was primarily driven by the increase in the discount rate from 2.79% to 4.45% (decrease of $2,589,000) and the updated to the trend rate (decrease of $1,178,000).

## 15. 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 is as follows:

| | Year Ended June 30 | |
|---|---|---|
| | 2022 | 2021 |
| Casa de Padres | $ 1,308,374 | $ 1,284,461 |
| Custodian and operating agency accounts | 23,994 | 19,613 |
| | $ 1,332,368 | $ 1,304,074 |

## 16. Net Assets

Designated net assets without donor restriction are as follows:

| | Year Ended June 30 | |
|---|---|---|
| | 2022 | 2021 |
| Plant and operations fund: | | |
| Self-insurance programs | $ 4,258,757 | $ 3,256,446 |
| Archbishop's Appeal | 3,713,173 | 4,539,115 |
| Archdiocese of San Antonio | 4,734 | 4,734 |
| Hope for the Future | 2,505,550 | 1,981,663 |
| OSM, Inc. | 2,743,475 | 2,334,340 |
| Catholic Television | 20,413 | 37,127 |
| Catholic Schools | 379,153 | 234,041 |
| Mother Cabrini Center | 337,472 | 305,854 |
| Plant, net of payables | 13,707,120 | 8,719,120 |
| | $ 27,669,847 | $ 21,412,440 |
| Deposit and loan fund | $ 527,776 | $ 571,885 |

Net assets restricted by time or purpose are available for the following purposes:

| | Year Ended June 30 | |
|---|---|---|
| | 2022 | 2021 |
| Paul P. Baltos, Jr. Scholarship | $ 63,662 | $ 130,049 |
| Other specific purpose grants | 257,526 | 251,817 |
| | $ 321,188 | $ 381,866 |

Net assets released from donor restrictions by incurring expenses satisfying restricted purposes or time restrictions specified by donors is as follows:

| | Year Ended June 30 | |
|---|---|---|
| | **2022** | **2021** |
| Specific Purpose Grants | $ 235,547 | $ 330,197 |
| Paul P. Baltos Jr. Scholarship Fund | 4,609 | 4,590 |
| Catholic Television of San Antonio | 15,000 | 15,008 |
| | $ 255,156 | $ 349,795 |

Net assets to be held in perpetuity consist of the following:

| | Year Ended June 30 | |
|---|---|---|
| | **2022** | **2021** |
| Paul P. Baltos, Jr. Scholarship Fund-Corpus only | $ 289,448 | $ 289,448 |

## 17. Endowment Funds

### Interpretation of Relevant Law for Donor-Restricted Endowment Funds

The Pastoral Center treats all donor-restricted endowment funds as held in perpetuity in net assets with donor restrictions. These endowment funds are invested in a pool with all other investments of the Organization. The returns on the endowment funds invested have been included in investment income with donor restrictions on the statement of activities. The Pastoral Center operates under an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) since the Texas State Legislature enacted UPMIFA on September 1, 2007 (TUPMIFA). Management has interpreted TUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Pastoral Center classifies as net assets with donor restrictions - held in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) 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 that is not held in perpetuity is accumulated in with donor restrictions until appropriated for expenditure by the Pastoral Center in a manner consistent with the standard of prudence prescribed by TUPMIFA.

- 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, 2022 and 2021, is as follows:

| | June 30, 2022 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Donor-restricted endowment funds | $ | $ 353,110 | $ 353,110 |

| | June 30, 2021 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Donor-restricted endowment funds | $ - | $ 419,497 | $ 419,497 |

Description of amount classified as net assets with donor restrictions (endowment only) are as follows:

| | Year Ended June 30 | |
|---|---|---|
| | 2022 | 2021 |
| Paul P. Baltos, Jr. Scholarship Fund | $ 353,110 | $ 419,497 |

The Pastoral Center had the following changes in endowment net assets for the years ended June 30, 2022 and 2021:

| | Year Ended June 30, 2022 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets at beginning of year | | 419,497 | 419,497 |
| Contributions | $ - | $ - | $ - |
| Investment return: | | | |
| Investment income, gains and losses, net | - | (61,778) | (61,778) |
| Amount appropriated for expenditures | - | (4,609) | (4,609) |
| Endowment net assets at end of year | $ - | $ 353,110 | $ 353,110 |

| | Year Ended June 30, 2021 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets at beginning of year | | | |
| Contributions | $ - | $ 322,250 | $ 322,250 |
| Investment return: | | | |
| Investment income, gains and losses, net | - | 101,837 | 101,837 |
| Amount appropriated for expenditures | - | (4,590) | (4,590) |
| Endowment net assets at end of year | $ - | $ 419,497 | $ 419,497 |

### 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, 2022 and 2021.

### 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.

## 18. Leases

The following is a summary of leased property under capital leases included in property and equipment in the accompanying consolidated financial statements:

| | Year Ended June 30 | |
|---|---|---|
| | 2022 | 2021 |
| Office equipment | $ 390,179 | $ 357,005 |
| Less accumulated depreciation | (222,381) | (134,551) |
| | $ 167,798 | $ 222,454 |

Amortization on leased property under capital leases is included in depreciation and amortization expense within general, administrative and auxiliary services in the statements of activities.

The Pastoral Center has commitments under noncancelable operating lease agreements. As of June 30, 2022 and 2021, the Pastoral Center had outstanding commitments, which consist of leases for copy machines with the agreements expiring in October, 2025. Rental expense totaled $90,836 and $156,958 for the years ended June 30, 2022 and 2021, respectively.

Future minimum lease payments under the noncancelable operating leases and future minimum lease payments under capital lease agreements as of June 30, 2022, are as follows:

| | Capital Leases | Operating Leases |
|---|---|---|
| Years ending June 30: | | |
| 2023 | $ 86,670 | $ 6,746 |
| 2024 | 79,216 | 4,487 |
| 2025 | 7,197 | 1,155 |
| 2026 | 7,197 | - |
| 2027 | 600 | - |
| | | $ 12,388 |
| Less amount of net minimum lease payments attributable to interest (4.75%) | (8,812) | |
| Present value of net minimum lease payments | $ 172,068 | |

## 19. Related-Party Transactions

For the years ended June 30, 2022 and 2021, 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 years ended June 30, 2022 and 2021, 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.

For the years ended June 30, 2022 and 2021, the Pastoral Center received addition contributions, from those detailed above, totaling $6,490,155 and $5,525,813 from related parties.

## 20. 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.

The Archbishop of the Archdiocese is the guarantor in a line of credit between a financial institution and various parishes. Funding of line of credit advances is made directly by the financial institution to the parish and payments are made directly by the respective parish to the financial institution in accordance with the terms of each respective advance. The aggregate principal amount of the loans shall not exceed $25,000,000. The loans totaled $13,129,424 and $14,911,834 at June 30, 2022 and 2021, respectively. The line of credit outstanding balance is not reflected in the consolidated financial statements of the Pastoral Center.

## 21. 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, 2022 and 2021. An individual expense is allocated to the underlying activity through which it was incurred. The statements of activities include certain expenses that must be allocated on a reasonable basis, which have been consistently applied: certain costs including bank and credit card fees, payroll salaries and benefits have been allocated among the programs and supporting services benefited. Depreciation, office and occupancy costs have been allocated based on square footage.

| | Year Ended June 30, 2022 | | | | |
|---|---|---|---|---|---|
| | Program Services | | Supporting Services | | |
| | Education and Formation | Ministries | General, Administrative and Auxiliary Services | Insurance Programs | Total |
| Salaries and benefits | $ 2,283,207 | $ 3,771,394 | $ 2,193,622 | $ 1,796,941 | $ 10,045,164 |
| Contracted services, primarily insurance premiums | 481,803 | 727,174 | 1,477,839 | 7,028,468 | 9,715,284 |
| Gifts, donations and assessments | 1,444,266 | 2,814,202 | 1,508,993 | - | 5,767,461 |
| Office and occupancy costs | 126,015 | 445,718 | 1,224,199 | 37,625 | 1,833,557 |
| Auxiliary expenses | 516,343 | 213,165 | 49,567 | 445,476 | 1,224,551 |
| Professional development | 291,119 | 810,035 | 26,472 | 519 | 1,128,145 |
| Depreciation expense | 39,699 | 154,228 | 437,582 | 11,343 | 642,852 |
| Bank and credit card fees | 20,162 | 69,079 | 2,105 | 9,843 | 101,189 |
| Provision for allowance for doubtful accounts | (13,518) | 56,524 | 64,317 | 146,484 | 253,807 |
| Property tax | - | - | 47,221 | - | 47,221 |
| Insurance claims | - | - | - | 13,754,100 | 13,754,100 |
| Total | $ 5,189,096 | $ 9,061,519 | $ 7,031,917 | $ 23,230,799 | $ 44,513,331 |

| | Year Ended June 30, 2021 | | | | |
|---|---|---|---|---|---|
| | Program Services | | Supporting Services | | |
| | Education and Formation | Ministries | General, Administrative and Auxiliary Services | Insurance Programs | Total |
| Salaries and benefits | $ 1,720,996 | $ 3,944,242 | $ 1,681,611 | $ 1,524,223 | $ 8,871,072 |
| Contracted services, primarily insurance premiums | 220,225 | 920,090 | 784,854 | 5,728,419 | 7,653,588 |
| Gifts, donations and assessments | 1,699,909 | 3,809,302 | 3,114,009 | - | 8,623,220 |
| Office and occupancy costs | 106,578 | 302,420 | 1,025,973 | 30,436 | 1,465,407 |
| Auxiliary expenses | 182,365 | 41,902 | 82,459 | 407,624 | 714,350 |
| Professional development | 15,451 | 584,320 | 12,050 | - | 611,821 |
| Depreciation expense | 40,388 | 162,470 | 429,378 | 11,533 | 643,769 |
| Bank and credit card fees | 12,376 | 59,683 | 98 | 9,614 | 81,771 |
| Provision for allowance for doubtful accounts | 113,920 | 59,663 | 202,406 | 116,973 | 492,962 |
| Property tax | - | - | 53,035 | - | 53,035 |
| Loss on sale of assets | - | - | 143,090 | - | 143,090 |
| Insurance claims | - | - | - | 16,491,571 | 16,491,571 |
| Total | $ 4,112,208 | $ 9,884,092 | $ 7,528,963 | $ 24,320,393 | $ 45,845,656 |

## 22. 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, 2022 and 2021.

| | Years Ended June 30 | |
|---|---|---|
| | 2022 | 2021 |
| Financial assets at June 30 | $ 46,189,721 | $ 48,405,620 |
| Less those unavailable for general expenditures within one fiscal year due to: | | |
| Net receivables not due within one year | (219,896) | (543,280) |
| Contractual or donor restrictions: | | |
| Restricted by time or purpose | (321,187) | (381,866) |
| Restricted for scholarships | (289,448) | (289,448) |
| Board designations, financial assets: | | |
| Archbishop's Appeal | (4,639,117) | (5,216,395) |
| Old Spanish Missions, Inc. | (2,761,470) | (2,360,929) |
| Custodian accounts held for others | (2,105,794) | (2,132,803) |
| Amounts set aside for reserve for insurance programs | (18,691,242) | (24,635,375) |
| Financial assets available to meet cash needs for general expenditures within one year | $ 17,161,567 | $ 12,845,524 |

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 CDs 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 its available line of credit. During fiscal years 2022 and 2021, the Pastoral Center did not draw nor have an outstanding balance on the line of credit.