

**THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES
PASTORAL CENTER**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2014 AND 2013

**THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES
PASTORAL CENTER**

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

To the Financial Council
The Roman Catholic Diocese of Las Cruces Pastoral Center

Report on the Financial Statements

We have audited the accompanying financial statements of The Roman Catholic Diocese of Las Cruces Pastoral Center (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Roman Catholic Diocese of Las Cruces Pastoral Center as of June 30, 2014 and 2013, 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.

Gibson Riddick Patterson LLC

El Paso, Texas
January 30, 2015

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND 2013

ASSETS	<u>2014</u>	<u>2013</u>
Current Assets		
Cash and cash equivalents	\$ 4,257,786	\$ 3,232,313
PIP investments	2,114,927	1,725,941
Investments	344,378	81,674
Pledges Receivable, net	402,326	417,318
Accounts receivable, net	254,114	607,492
Other assets	77,317	-
Real estate held for sale	263,868	263,868
Total current assets	<u>7,714,716</u>	<u>6,328,606</u>
Property and Equipment, net	<u>2,308,338</u>	<u>2,388,848</u>
Other Assets		
PIP Notes receivable, net	<u>169,235</u>	514,015
Total other assets	<u>169,235</u>	514,015
Total assets	<u>\$ 10,192,289</u>	<u>\$ 9,231,469</u>

See accompanying notes and independent auditors' report.

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND 2013

LIABILITIES AND NET ASSETS	2014	2013
Current Liabilities		
Accounts payable	\$ 203,750	\$ 88,574
Accrued payroll and payroll taxes	84,257	129,557
Deferred revenue	127,288	-
UIM rebate payable	539,509	255,727
Capital Campaign rebate payable	-	57,515
Grants payable	40,000	39,488
Due to related party	-	8,858
Funds held for others	210,609	180,927
Insurance reserve	238,933	199,505
Current portion of long-term debt	29,760	54,513
Current portion of annuity payable	-	3,735
	1,474,106	1,018,399
Long Term Liabilities		
PIP Deposits payable	7,968,733	7,948,103
Long-term debt, less current portion	35,103	11,315
Accrued Priests' pension liability	1,543,843	1,617,360
	9,547,679	9,576,778
	11,021,785	10,595,177
Net Assets		
Unrestricted	(1,007,639)	(1,521,221)
Temporarily restricted	178,143	157,513
	(829,496)	(1,363,708)
	\$ 10,192,289	\$ 9,231,469

See accompanying notes and independent auditors' report.

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Pledged gifts	\$ 1,157,269	\$ -	\$ 1,157,269
Contributions	292,065	-	292,065
Grant revenues	391,243	129,751	520,994
Parish tax assessment revenues	973,803	-	973,803
Insurance premium revenues	1,583,442	-	1,583,442
Other income	14,481	-	14,481
Materials, books & subscription sales	11,582	-	11,582
Fees	156,412	-	156,412
Net investment income	647,276	-	647,276
Net assets released from restrictions	109,121	(109,121)	-
Total revenue and support	5,336,694	20,630	5,357,324
Expenses			
Program services			
Pastoral	299,180	-	299,180
Religious development	602,428	-	602,428
Education	463,654	-	463,654
Community services	73,444	-	73,444
Mission development	39,550	-	39,550
Insurance	834,151	-	834,151
Total program services expenses	2,312,407	-	2,312,407
Support Services			
General and administrative	1,115,528	-	1,115,528
Stewardship development	262,178	-	262,178
Interest expense	29,909	-	29,909
Bad debt	956,776	-	956,776
Property taxes	39,140	-	39,140
Depreciation	107,174	-	107,174
Total support services expenses	2,510,705	-	2,510,705
Total Expenses	4,823,112	-	4,823,112
Increase (decrease) in net assets	513,582	20,630	534,212
Net Assets - Beginning of year	(1,521,221)	157,513	(1,363,708)
Net Assets - End of year	\$ (1,007,639)	\$ 178,143	\$ (829,496)

See accompanying notes and independent auditors' report.

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Pledged gifts	\$ 1,472,979	\$ -	\$ 1,472,979
Contributions	248,848	134,912	383,760
Grant revenues	555,982	81,501	637,483
Parish tax assessment revenues	1,038,809	-	1,038,809
Insurance premium revenues	1,570,430	-	1,570,430
Other income	22,643	-	22,643
Materials, books & subscription sales	11,980	-	11,980
Fees	121,132	-	121,132
Net investment income	465,656	-	465,656
Loss on disposal of fixed assets	(95,637)	-	(95,637)
Net assets released from restrictions	389,989	(389,989)	-
	<u>5,802,811</u>	<u>(173,576)</u>	<u>5,629,235</u>
Total revenue and support			
Expenses			
Program services			
Pastoral	908,811	-	908,811
Religious development	544,723	-	544,723
Education	449,497	-	449,497
Community services	162,956	-	162,956
Mission development	5,109	-	5,109
Insurance	1,125,164	-	1,125,164
	<u>3,196,260</u>	<u>-</u>	<u>3,196,260</u>
Total program services expenses			
Support Services			
General and administrative	2,703,720	-	2,703,720
Stewardship development	202,975	-	202,975
Interest expense	34,209	-	34,209
Depreciation	67,987	-	67,987
	<u>3,008,891</u>	<u>-</u>	<u>3,008,891</u>
Total support services expenses			
Total Expenses	<u>6,205,151</u>	<u>-</u>	<u>6,205,151</u>
Increase (decrease) in net assets	<u>(402,340)</u>	<u>(173,576)</u>	<u>(575,916)</u>
Net Assets - Beginning of year	(719,871)	331,089	(388,782)
Prior Period adjustment	(399,010)	-	(399,010)
	<u>(1,118,881)</u>	<u>331,089</u>	<u>(787,792)</u>
Net Assets - beginning of year restated			
Net Assets - End of year	<u>\$ (1,521,221)</u>	<u>\$ 157,513</u>	<u>\$ (1,363,708)</u>

See accompanying notes and independent auditors' report.

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Net change	\$ 534,212	\$ (575,916)
Adjustments to reconcile net decrease to net cash provided by operating activities:		
Jewelry donation	(42,770)	-
Depreciation and amortization	107,174	67,987
Bad debt expense	706,585	1,663,471
Unrealized gains	(350,897)	(256,682)
Realized gains	(132,340)	(40,916)
Loss on disposal of fixed assets	-	95,637
(Increase) decrease in assets:		
Accounts receivable	115,176	290,117
Pledges receivable	157,980	158,216
Other assets	(34,547)	(20,447)
Increase (decrease) in liabilities:		
Accounts payable	115,176	(238,353)
Accrued payroll and payroll taxes	(45,300)	18,231
Deferred revenue	127,288	-
UIM rebate payable	283,782	-
Capital campaign rebate payable	(57,515)	-
Grants payable	512	-
Accrued pension liability	(73,517)	-
Insurance reserve	39,428	112,475
Other payables	-	(45,091)
Funds held for others	29,682	168,581
	<u>1,480,109</u>	<u>1,397,310</u>
Net Cash Provided by Operating Activities		
Cash flows from Investing Activities:		
Purchase of fixed assets	(26,664)	(39,500)
Purchase of investments	(1,127,191)	(701,312)
Proceeds from sale of investments	957,033	676,372
	<u>(196,822)</u>	<u>(64,440)</u>
Net Cash Used by Investing Activities		

See accompanying notes and independent auditors' report.

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013 AND 2012

	<u>2014</u>	<u>2013</u>
Cash Flows from Financing Activities		
Due from related parties	-	31,603
Increase in PIP deposits	959,725	389,262
Payments from PIP loans outstanding	77,553	213,923
Withdrawals from PIP deposits	(939,095)	(465,067)
New PIP notes receivable issued	(342,339)	(378,225)
Proceeds from loans	27,558	-
Repayment of notes payable	(28,523)	(228,956)
Payments on annuity	(3,735)	(11,101)
Due to related parties	(8,858)	64,840
	<u>(257,714)</u>	<u>(383,721)</u>
Net Cash Used by Financing Activities		
Net increase in cash and cash equivalents	1,025,573	949,149
Cash and cash equivalents, beginning of year	3,232,213	2,283,164
Cash and cash equivalents, end of year	<u>\$ 4,257,786</u>	<u>\$ 3,232,313</u>
Supplemental Information		
Cash paid for interest	<u>\$ 29,909</u>	<u>\$ 34,209</u>
Non cash donation of jewelry	<u>\$ 42,770</u>	<u>\$ -</u>

See accompanying notes and independent auditors' report.

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Roman Catholic Diocese of Las Cruces Pastoral Center (the Pastoral Center) provides services to the parishes, schools, and organizations affiliated with the Roman Catholic Church within its boundaries and under the authority of the Bishop of the Roman Catholic Diocese of Las Cruces. Services provided include administrative services with regard to education, charitable projects, parish administration, and religious personnel activities.

The financial statements are presented for the Roman Catholic Diocese of Las Cruces Pastoral Center. These statements do not include a complete presentation of the financial position of the entire Roman Catholic Diocese of Las Cruces or change in its net assets or its cash flows. If such statements were presented, they would be combined and include information from all related organizations under the umbrella of the Roman Catholic Diocese of Las Cruces. Those organizations would include all parishes, parochial schools, charitable organizations, the Roman Catholic Diocese of Las Cruces Foundation, the Priest Retirement and Disability Plan of the Roman Catholic Diocese of Las Cruces, and other related organizations within the geographical boundaries of the Roman Catholic Diocese of Las Cruces.

The organizations are controlled by the Bishop of the Roman Catholic Diocese of Las Cruces. The Bishop controls how the organizations carry out their activities and the Roman Catholic Diocese of Las Cruces provides technical and fundraising assistance. In return, some organizations are assessed quotas. The Pastoral Center has an economic dependency on the collective affiliated organizations.

A significant amount of the financial activities of the Pastoral Center involves transactions with related parties.

The Roman Catholic Diocese of Las Cruces falls within the ultimate authority of the Pope.

The Diocese has the following programs:

Pastoral- the Pastoral Center provides funding for services through the following Pastoral Center offices: Tribunal, Liturgy, Hospital Ministry, Family Life, Prison Ministry, Parish Accounting Review, Facilities-Real Estate and Pastoral Planning.

Religious development- The Pastoral center supports religious development which includes Vocations, Seminarian Formation and education, the Deacon Council and further funds our Priest support staff and religious retirement.

Education- the Pastoral Center provides funding and services for religious education through Adolescent Catechesis-Youth Ministry programs, Elementary Education, the Lending Library, Youth Leadership Training camps, the Youth Conference, Catholic Schools, Lay ministry formation and Diocesan Assembly.

(Continued)

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Community Services- provides funding for Catholic social ministry through programs such as Family Unity programs and through the Catholic Charities of the Diocese of Las Cruces.

Mission Development- the Pastoral Center provides support to our missions through grant services and insurance coverage for our poor missions.

Insurance- the Pastoral Center provides and administers a Protected Self-Insurance program to provide uniform property and blanket liability coverage under one comprehensive plan for all parishes and agencies which are a part of The Roman Catholic Diocese of Las Cruces. The Diocese of Las Cruces also provides a full time Risk Manager to outline and enforce safety polices in an effort to reduce/prevent losses. The Insurance office also provides and maintains Medical/RX, Dental, and Core (Life, LTD, AD&D) benefits for all eligible employees of the Diocese.

Basis of Accounting - The accompanying financial statements of the Pastoral Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) establishes GAAP, which are contained in the Accounting Standards Codification (ASC).

Basis of Presentation - ASC 958, Not-for-Profit Entities requires entities to report information regarding their financial position and activities according to three classes of net assets based on the restrictions imposed by the donor of the funds. These three classes of net assets are:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Pastoral Center pursuant to those stipulations.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Pastoral Center.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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 year. Actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Pastoral Center considers cash, demand and time deposits and all highly liquid investments with original maturity dates of less than three months to be cash equivalents.

(Continued)

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts, UIM and Capital Campaign Pledges Receivable

The majority of the Pastoral Center's accounts and pledges receivable are due from parishes, schools, other organizations, and private parties with the Roman Catholic Diocese of Las Cruces region and inter-diocesan entities. Credit is extended based on evaluation of financial condition and financial need and collateral is generally not required. Accounts and loans receivable are due within 30 days or according to separately stated terms and are recorded, net of an allowance for doubtful accounts. The Pastoral Center determines the allowance by considering a number of factors, including the length of time accounts and loans receivable are past due, the Pastoral Center's previous loss history, the debtors' current ability to pay its obligation, and the condition of the general economy.

United in Ministry (UIM) pledges are for calendar year campaigns, normally pledges are not carried forward from one pledge year to the next pledge year. Capital Campaign pledges may be received for as long as a five-year period.

It is stated policy of the Pastoral Center that obligations for Parish assessment and insurance premiums will not be written off for non-payment. These receivables are considered past due when payments are behind 90 days or longer. The Pastoral Center has recorded an allowance for doubtful collections related to the assessments and premiums. These allowances are based on discussion with the organization owing the funds, review of financial information from the organization and other considerations. Capital Campaign pledges are evaluated annually to determine the collectability of the pledges.

The Parish assessment is computed on the previous year's contributions, less certain adjustments, as reported to the Pastoral Center by the parishes. It is billed in ten monthly amounts.

The insurance premium is computed based primarily on replacement cost, total prior year wages and number of vehicles. It is billed annually, and organizations are allowed to make payments.

Collection Items - The Pastoral Center received several pieces of artwork from an estate. The estimated fair market value of the artwork is not material to the overall financial statements of the Pastoral Center, therefore the artwork is included in the property, plant and equipment category at the estimated fair market value upon receipt.

Property and Equipment - Property, plant and equipment are stated at cost, if purchased, or at the estimated fair value on the date of acquisition, if donated. The Pastoral Center capitalizes items with a cost or estimated fair value of greater than \$1,000. Contributions restricted for the acquisition of property and equipment are reclassified to unrestricted net assets when the assets are placed into service. From time to time the Pastoral Center purchases property and equipment for related organizations. These expenditures are reported as expenses in the statement of activities. The Pastoral Center will also occasionally donate surplus equipment to related organizations. Any remaining net book value of these donated assets is reported as an expense in the statement of activities.

(Continued)

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation expense is computed using the straight line method over estimated useful lives for financial statement purposes. Asset lives for financial statement reporting of depreciation are 5 to 40 years.

Long-Lived Assets - Long-lived assets held and used by the Pastoral Center are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recover-ability would be performed.

Management believes no impairment in the net carrying values of the long-lived assets has occurred for the period presented.

Revenue Recognition - The Pastoral Center displays revenue in the following natural classifications:

- Contributed Support - Unconditional gifts to the Pastoral Center of cash or other assets in a voluntary nonreciprocal transfer by another entity or individual
- Grant income
- Parish tax assessments
- Insurance premiums
- Fees for services
- Earnings on investments (dividends, interest, realized and unrealized gains or losses)

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Pledges are recognized as revenue when the donor makes a promise to give to the Pastoral Center that is, in substance, unconditional. Pledges that are restricted by the donor are reported as increases to unrestricted net assets if the restrictions expire in the fiscal year in which the pledge is recognized. All other donor-restricted pledges are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

(Continued)

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges that are conditional are not reported in the financial statements until it is certain that the condition either has been met or will be met.

Contributed Support - The Pastoral Center recognizes all contributed support received as revenue in the period received. Contributed support is reported as unrestricted or as restricted 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 a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Long-lived assets acquired with gifts of cash restricted for those acquisitions are reported as unrestricted or as temporarily restricted depending on whether there is an explicit, donor-imposed time requirement as to how long the assets must be maintained. Long-lived assets are reported as permanently restricted only if the Pastoral Center must maintain the assets in perpetuity or if the donor explicitly restricted the proceeds from any future disposition of the assets to re-investment in long-lived assets.

The Pastoral Center receives a substantial amount of services donated by its members in carrying out its functions. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under ASC 958.

Functional Allocation of Expenditures - 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 benefitted.

Advertising Costs - The Pastoral Center expenses advertising costs as incurred. Advertising costs for the years ending June 30, 2014 and 2013 were \$5,429 and \$628, respectively.

Accrued Compensated Absences - Accrued annual leave is a component of accrued compensated absences. No more than 240 hours of annual leave may be accrued by a Pastoral Center employee for a fiscal year.

Income Taxes - In a determination letter dated March 25, 1946 and updated annually since that time, the Internal Revenue Service has ruled that all organizations listed in *The Official Catholic Directory* are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Roman Catholic Diocese of Las Cruces Pastoral Center is listed in the 2012 edition and therefore is exempt from federal income taxes. The Pastoral Center is subject to tax under §511(a) to the extent it has unrelated business taxable income. The Pastoral Center did not have any applicable unrelated business taxable income for the years ended June 30, 2014 and 2013.

(Continued)

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASC 740 requires the Pastoral Center's management to evaluate tax positions taken by the Pastoral Center and recognize a tax liability if the Pastoral Center has taken an uncertain tax position that more than likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Pastoral Center, and has concluded that as of June 30, 2014 and 2013, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Pastoral Center is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. Fiscal years ending on or after June 30, 2011 are still open to audit for federal purposes.

Self-Insurance Program - The Pastoral Center, parishes in the Diocese and other related entities have property and liability coverage under a self insurance program. The Pastoral Center retains liability for the first \$50,000 of a claim, with reinsurance purchased for amounts that exceed the deductible. The Pastoral Center bills the parishes and other organizations their share of insurance premiums and fees; these amounts are included in unrestricted net assets.

The Pastoral Center carries health insurance through an outside company that is available for eligible employees of the Pastoral Center and other related organizations.

Fair Value of Financial Instruments - GAAP requires disclosure of an estimate of fair value of certain financial instruments. The Pastoral Center's significant financial instruments are cash, accounts receivables, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Parish Investment Plan - The Pastoral Center operates the Parish Investment Plan (PIP) which provides parishes, schools and other related organizations within the Diocese with a source of funding for capital improvements and major renovations along with interest-bearing deposit accounts. Each parish, school and related organization is encouraged to deposit accounts in excess of those required for its operations into the PIP. Interest rates charged on loans and interest rates paid on PIP deposits are determined on a quarterly basis by the Roman Catholic Diocese of Las Cruces Finance Council based on various information including rates from financial institutions in the Pastoral Center area. Loans are approved by the Finance Council, considering the ability of the organization to repay the loan and the cash flow requirements of the PIP and other factors.

It is the Pastoral Center's stated policy that no PIP loans are written off. Loans are considered past due if no payment has been received in 90 days or longer. Interest continues to accrue on past due loans unless there is an agreement between the borrower and the Pastoral Center that changes the initial loan terms.

Although no loans are written off, the Pastoral Center has recorded an allowance for doubtful loans which is based on discussions with the borrower, review of the financial status of the borrower, and other considerations.

(Continued)

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations - A significant portion of the Pastoral Center's revenue is dependent upon the general economic conditions present in the Roman Catholic Diocese of Las Cruces' region. Parish tax assessments are based on the previous year's donations to the parish. Contributions and pledges are generally from individuals, businesses and other organizations within the region. If economic conditions were to significantly deteriorate in the Diocese's region, this might result in a decrease in giving, while the demands upon the Pastoral Center's support and services would likely increase.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Demand deposits (checking)	\$ 1,563,670	\$ 1,168,148
Money Market Funds	74,852	10,211
Restricted cash and money market funds, PIP	2,112,857	2,009,560
Restricted cash and money market funds, Insurance Fund	<u>506,407</u>	<u>44,394</u>
Balance, June 30, 2014 and 2013:	<u>\$ 4,257,786</u>	<u>\$ 3,232,313</u>

3. PARISH INVESTMENT PLAN

The Pastoral Center operates a Parish Investment Plan (PIP). The PIP offers parishes, schools and other related organizations the opportunity to invest excess funds with the PIP. Funds deposited with the PIP earn interest at a variable rate. These organizations may borrow funds from the PIP for capital improvements, renovations and other reasons. Loans from PIP are charged interest at a variable rate. The Pastoral Center invests excess funds with the assistance of investment advisors.

The Pastoral Center Finance Council sets interest rates for savings accounts and interest rates for loans on a quarterly basis, using various information including interest rates available at financial institutions in the Diocese region. At June 30, 2014 and 2013, the interest rate paid on savings accounts were 0.1% and the interest rate charge for loans was 7.0%.

For the years ended June 30, 2014 and 2013 deposit accounts earned a total of \$ 8,338 and \$8,028, respectively, in interest and loan accounts accrued a total of \$125,236 and \$138,948, respectively, in interest.

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THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

3. PARISH INVESTMENT PLAN (Continued)

Investments held for the Parish Investment Plan consist of the following at June 30, 2014 and 2013:

	2014		2013	
	Market Value	Cost Basis	Market Value	Cost Basis
Government issued securities	\$ 100,079	\$ 101,756	\$ 65,744	\$ 67,786
Mutual funds	66,942	62,868	48,003	47,544
Equity securities (stocks)	1,947,906	1,423,940	1,612,194	1,385,171
Total investments	<u>\$ 2,114,927</u>	<u>\$ 1,588,564</u>	<u>\$ 1,725,941</u>	<u>\$ 1,500,501</u>

Of approximately 13 non-Pastoral Center loans, totaling \$1,831,000 (before allowance for doubtful accounts), approximately \$1,661,000 of PIP loan balances were considered uncollectible as of June 30, 2014.

Interest continues to accrue on these loans unless the borrower has reached an agreement with the Pastoral Center to modify the original loan agreement. It is the stated policy of the Pastoral Center that no PIP loan will be written off; the Pastoral Center has established an allowance for doubtful accounts based on discussions with the borrower, evaluation of the borrower's financial condition, and other considerations. Management of the Pastoral Center has determined that some loans may not be collected in full; the allowance for uncollectible loans are \$1,661,441 at June 30, 2014 and \$1,284,325 at June 30, 2013, respectively.

The Pastoral Center borrowed funds for operating purposes in previous years from the Parish Investment Plan funds. The balance of these loans were \$1,213,862 and \$1,373,091, respectively, as of June 30, 2014 and 2013. The Pastoral Center is in the process of repaying these loans. The Pastoral Center has various savings accounts in PIP. Deposits total \$0 and \$211,950 as of June 30, 2014 and 2013, respectively. These account balances have been eliminated for financial statement presentation purposes.

(Continued)

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

4. INVESTMENTS

Investments consist of the following at June 30, 2014 and 2013, and are restricted in use to the insurance program that is run by the Pastoral Center:

	2014		2013	
	Market Value	Cost Basis	Market Value	Cost Basis
Mutual funds	\$ 114,691	\$ 111,482	\$ 17,762	\$ 17,315
Equity securities (stocks)	229,687	203,302	63,912	53,641
Total investments	<u>\$ 344,378</u>	<u>\$ 314,784</u>	<u>\$ 81,674</u>	<u>\$ 70,956</u>

5. INVESTMENT RETURN

The net investment return for the years ended June 30, were:

	2014	2013
Interest income	\$ 140,814	\$ 149,023
Dividend income	48,225	44,284
Realized gain	132,340	40,916
Unrealized gain	350,897	256,682
Investment fees	(25,000)	(25,249)
Net investment income	<u>\$ 647,276</u>	<u>\$ 465,656</u>

(Continued)

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

6. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Parish tax assessment	\$ 395,135	\$ 398,066
Allowance for doubtful accounts	<u>(369,464)</u>	<u>(263,042)</u>
Net parish tax assessment	<u>25,671</u>	135,024
Tribunal fees	20,320	16,510
Allowance for doubtful accounts	<u>(10,000)</u>	<u>(10,000)</u>
Net Tribunal fees receivable	<u>10,320</u>	6,510
Medical insurance premiums	109,510	-
Allowance for doubtful accounts	<u>(74,375)</u>	-
Net medical insurance receivable	<u>35,135</u>	-
Property insurance	1,159,533	1,121,895
Allowance for doubtful accounts	<u>(1,106,923)</u>	<u>(850,924)</u>
Net insurance receivable	<u>52,610</u>	270,971
Other receivables	266,164	230,987
Allowance for doubtful accounts	<u>(135,786)</u>	<u>(36,000)</u>
Net other receivables	<u>130,378</u>	194,987
Total net accounts receivable	<u>\$ 254,114</u>	<u>\$ 607,492</u>

All receivables are considered to be collectible within one year.

(Continued)

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

7. PLEDGES RECEIVABLE

Pledges receivable consisted of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
United in Ministry (UIM)	\$ 529,795	\$ 446,359
Less allowance	<u>(129,469)</u>	<u>(129,000)</u>
Net UIM	<u>400,326</u>	<u>317,359</u>
Capital Campaign	2,000	950,001
Less allowance	<u>-</u>	<u>(850,042)</u>
Net capital campaign	<u>2,000</u>	<u>99,959</u>
Total Pledges receivable	531,795	1,396,360
Less allowance	<u>(129,469)</u>	<u>(979,042)</u>
Net pledges receivable	<u>402,326</u>	<u>417,318</u>

All pledges are due within one year.

8. REAL ESTATE HELD FOR SALE FORMERLY NOTE RECEIVABLE

During the year ended June 30, 2005, the Pastoral Center loaned funds to a developer. The intention of this loan was to invest excess PIP funds to earn interest on the funds. During this year, in lieu of a cash contribution, the Pastoral Center used a portion of this loan receivable to fund part of their annual contribution to the Priest Retirement and Disability Plan of the Roman Catholic Diocese of Las Cruces.

On January 7, 2014, the District Court entered into a Stipulated Judgement declaring the Diocese as the sole owner of real estate that was the collateral for the loan. The Diocese's interest in this property arose out a loan made to the former attorney of the Diocese. The loan was secured by the property. The property has been informally appraised at \$500,000 in value, but will probably sell for less than that due to the economy and the property's somewhat remote location. The Diocese has placed the property up for sale and hopes to sell it within 18 months. The Diocese will receive 62.5% of the net sale proceeds with the remainder going to the other parties in the lawsuit. The real estate is recorded on the Diocese books in the amount of \$263,868.

The delinquent property taxes in the amount of \$27,558 were paid by an individual. A note payable was set up to repay the individual.

The property is currently being leased for \$2,400 on a month to month lease. Rental income for 2014 was \$12,000.

(Continued)

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

9. PROPERTY AND EQUIPMENT

The following schedule summarizes the original cost and accumulated depreciation of property and equipment at June 30:

	<u>2014</u>	<u>2013</u>
Assets		
Buildings	\$ 2,247,009	\$ 2,232,558
Land	613,963	607,963
Machinery and equipment	389,456	383,243
Vehicles	151,698	151,698
Water rights	15,070	15,070
Total assets	<u>3,417,196</u>	<u>3,390,532</u>
Less: accumulated depreciation	<u>(1,108,858)</u>	<u>(1,001,684)</u>
Net capital assets	<u>\$ 2,308,338</u>	<u>\$ 2,388,848</u>

For the years ended June 30, 2014 and 2013, depreciation expense was \$107,174 and \$67,987, respectively.

10. SELF INSURANCE RESERVE

The Pastoral Center establishes insurance claim liabilities for property, theft, liability, workers compensation and automobile claims based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and for 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. The reserves were \$238,933 and \$199,505 as of June 30, 2014 and 2013, respectively.

(Continued)

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

11. NOTES AND MORTGAGES PAYABLE

Long-term debt consists of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Note payable, San Patricio Property, Loan for purchase of property, payable in four annual installments of \$25,000 at a current interest rate of 4.38% as defined by September 2009 IRS Applicable Federal Rate. Due on August 1, 2013.	\$ -	\$ 25,000
Note payable, for vehicle loan. Payable in 60 monthly installments of \$377 at a current interest rate of 6.5%. Due on February 25, 2017 and secured by vehicle.	11,474	14,997
Note payable to an individual. The first payment is due in October 2016. It is interest free and is unsecured.	27,558	-
Note payable to an individual. There are no stated repayment terms. It is unsecured.	<u>25,831</u>	<u>25,831</u>
Total long-term debt	64,863	65,828
Less: current portion	<u>(29,760)</u>	<u>(54,513)</u>
Long-term portion, notes payable	<u>\$ 35,103</u>	<u>\$ 11,315</u>

Future maturities of notes payable are as follows at June 30, 2014:

<u>Year Ending June 30,</u>	
2015	\$ 29,760
2016	4,192
2017	10,238
2018	9,180
2019	9,180
Thereafter	<u>2,313</u>
	<u>\$ 64,863</u>

12. DEFINED CONTRIBUTION RETIREMENT PLAN

The Pastoral Center sponsors a defined contribution 403(b) to eligible employees. Plan participation and contributions are discretionary; participating employees can defer a percentage of their wages within allowable amounts. All deferred amounts are 100% vested. The Pastoral Center has the option of providing matching and discretionary contributions to participants.

(Continued)

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

12. DEFINED CONTRIBUTION RETIREMENT PLAN (Continued)

The Pastoral Center currently matches up to \$1,000 of each participants deferred amounts. The Pastoral Center contributed \$19,326 and \$24,636 for the year ended June 30, 2014 and 2013, respectively.

13. PRIEST RETIREMENT AND DISABILITY PLAN

The Pastoral Center offers a defined, non-contributory benefit plan to all secular priests, except those belonging to a religious order within the Pastoral Center's jurisdiction (the Plan). Priests are eligible for retirement benefits if they are engaged in regular full-time duties in the Pastoral Center, commenced service prior to attaining age 59, have had a minimum of 120 months service in the Pastoral Center prior to reaching age 70. Plan participants with ten years service who become totally and permanently disabled prior to normal retirement age are also eligible for benefits.

As required by Generally Accepted Accounting principles, the full funding status of the Plan has been recognized as an asset (overfunded plan) or as a liability (underfunded plan).

The following amounts relate to the Pastoral Center's Priest Retirement and Disability Plan as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 2,300,114	\$ 2,157,542
Service cost	409,360	152,822
Actuarial loss (gain)	204,505	192,505
Benefits paid	<u>(201,426)</u>	<u>(202,755)</u>
Benefit obligation at end of year	<u>2,712,553</u>	<u>2,300,114</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	682,754	591,424
Return on plan assets	90,162	84,915
Contributions	597,220	195,340
Record Mancini fund	-	13,830
Benefits paid	<u>(201,426)</u>	<u>(202,755)</u>
Fair value of plan assets at end of year	<u>1,168,710</u>	<u>682,754</u>
Accrued pension liability, Priest Retirement and Disability Plan	<u>\$ 1,543,843</u>	<u>\$ 1,617,360</u>

The accumulated benefit obligations at June 30, 2014 and 2013 were \$2,712,553 and \$2,300,114, respectively.

(Continued)

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

13. PRIEST RETIREMENT AND DISABILITY PLAN (Continued)

The following assumptions were used to determine the year-end benefit obligation at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Discount rate on the benefit obligation	5.00%	5.75%
Rate of expected return on plan assets	5.00%	5.00%
Rate of priests' compensation increase	1.00%	0.00%

The Plan measures fair value of the plan's assets using a three-level hierarchy based upon observable inputs. These plan assets are not included in the assets presented in the statement of financial positions. Generally Accepted Accounting Principles require the presentation of plan assets of sponsored defined benefit pension plans in the financial statements of the plan sponsor.

Fair value of the plan's assets on a recurring basis by class of asset and by level were as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 24,762	\$ 24,762	\$ -	\$ -
U.S. Government and sponsored securities	80,361	80,361	-	-
Corporate bonds	10,541	10,541	-	-
Equities	430,265	430,265	-	-
Money market funds	335,112	335,112	-	-
Cash value of life insurance policies	180,702	-	-	180,702
Total investments, June 30, 2014 and 2013	<u>\$ 1,061,743</u>	<u>\$ 881,041</u>	<u>\$ -</u>	<u>\$ 180,702</u>

The following is a reconciliation of the fair value measurements at Level 3:

<u>Changes in Level 3 Fair Value Measurements</u>	
Level 3 fair value measurement at June 30, 2012	\$ 143,108
Change in value	<u>18,409</u>
Balance at June 30, 2013	161,517
Change in value	<u>19,185</u>
Level 3 fair value measurement at June 30, 2014	<u>\$ 180,702</u>

The Plan's overall strategy is to invest in high-grade securities and other assets with a minimum risk of market value fluctuation.

The Pastoral Center contributed approximately \$68,000 in 2014 and \$80,000 in 2013 to the plan.

(Continued)

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

14. TEMPORARILY RESTRICTED NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTION

As of June 30, 2014 and 2013, the Pastoral Center's Temporarily Restricted Net Assets balance consisted of the following:

	<u>2014</u>	<u>2013</u>
Donation for continuing education	\$ 8,127	\$ 8,127
Donation for Liturgy Education	2,408	2,408
Grant for Lending Library Education	27,170	9,027
Mariachi Mass	5,299	5,299
Hospital grant	667	4,000
Bishop installation	12,277	11,257
Bible study	2,931	2,157
Hispanic lay ministry	-	6,119
Youth Ministry	-	4,441
Turnball grant	4,608	5,588
Prison ministry grant	19,546	3,931
ELF retreat grant	-	3,259
CHM grant	15,246	6,788
Grant - Priestly Formation	-	1,112
Grant - Immaculate Conception	7,000	14,000
Grant - St. Albert	25,000	50,000
Grant - St. Francis Newman	10,000	20,000
Mass Stipends	3,400	-
Propagation of the Faith	3,645	-
Advertising for Retired Priests	1,875	-
Altar Server Retreat	1,058	-
Hispanic Music Conference	2,872	-
Stewardship	25,014	-
	<hr/>	<hr/>
Temporarily Restricted Net Assets, June 30, 2014 and 2013	\$ 178,143	\$ 157,513
	<hr/>	<hr/>

(Continued)

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

14. TEMPORARILY RESTRICTED NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTION (Continued)

Net assets released from donor restrictions during 2014 and 2013 by incurring expenses satisfying the restricted purpose as follows:

	<u>2014</u>	<u>2013</u>
Collections for Seminaries	\$ -	\$ 137,576
Repairs to San Patricio Retreat	-	62,587
New Phone system	-	30,000
Parish Mass stipends	-	26,588
Continuing education	-	18,764
USCCB collections	-	15,280
Bishop retirement home	-	28,463
Basilion mission	-	10,000
Liturgy education	-	5,325
Lending library materials	8,921	3,150
Caregivers retreat	3,259	2,999
Partnering with Parents program	-	2,700
Priest ordination	2,392	2,284
Spanish Bible study program	-	2,273
Stewardship	24,984	-
Hospital grant	3,333	-
Hispanic Lay Ministry	6,120	-
Prison and jail ministry	6,165	-
Deacon formation	5,600	-
Youth Ministry	4,441	-
Turnball and NFCYM	1,906	-
Immaculate conception	7,000	7,000
St. Albert	25,000	25,000
St. Francis Newman	10,000	10,000
	<hr/>	<hr/>
Total net assets released from restriction	\$ 109,121	\$ 389,989

15. DEFICIT NET ASSETS IN FUND 3

The Pastoral Center maintains its accounting on the fund basis. The deposit and loan fund which accounts for the PIP deposits and loans to parishes and other organizations has a deficit net asset position at June 30, 2014 and 2013 of \$2,007,805 and \$2,173,161, respectively.

(Continued)

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

15. DEFICIT NET ASSETS (Continued)

The Pastoral Center borrowed funds from the PIP fund and is making monthly payments totaling \$19,000.

16. AFFILIATED ORGANIZATIONS/RELATED PARTIES

Affiliated organizations that have not been combined with the Pastoral Center's financial statements include:

- The Roman Catholic Diocese of Las Cruces Foundation, Inc. (Foundation) - the Foundation provides financial support through endowments to the Pastoral Center, parishes and other related parties.
- The Priest Retirement and Disability Plan of the Roman Catholic Diocese of Las Cruces (Retirement Plan) - a defined benefit plan for the Parish priests.
- The San Patricio Retreat Center is operated by another unrelated organization but the property is owned by the Pastoral Center. In addition, the Pastoral Center has agreed to subsidize the operations of the Retreat Center. During the year ended June 30, 2014 and 2013, the Pastoral Center subsidized the Retreat for the amounts of \$43,080 and \$32,900, respectively. At June 30, 2014 and 2013, the Retreat Center owed the Pastoral Center \$17,688 and \$17,688, respectively for Retreat Center expenses paid by the Pastoral Center in excess of the agreed upon subsidy.
- Catholic Charities - established to provide support for those in need in the community. At June 30, 2014 and 2013, Catholic Charities had a PIP loan balance outstanding due to the Pastoral Center in the amount of \$59,623 and \$59,927, respectively.

In addition, other related organizations include the parishes and schools in the Roman Catholic Diocese of Las Cruces boundaries.

17. FAIR VALUE MEASUREMENTS

ASC 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

(Continued)

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

17. FAIR VALUE MEASUREMENTS (Continued)

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Pastoral Center has the ability to access.
- Level 2 - Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2014 and 2013.

- Cash and cash equivalents, accounts, pledges receivables and notes receivable - carrying value approximates fair value when the terms and lengths of the agreements are considered.
- Parish Investment Plan investments are included at fair value as determined by level 1 inputs.
- The Pastoral Center's investments are included at fair value as determined by level 1 inputs.
- Parish Investment Plan loans - carrying value approximates fair value when the terms and lengths of the agreements are considered.
- Accounts payable, notes and mortgages payable and Parish Investment Plan deposits - carrying value approximates fair value when the terms and lengths of the agreements are considered.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Pastoral Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(Continued)

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

18. OPERATING LEASES

Under non-cancelable operating lease agreements, the Pastoral Center leases equipment consisting of copiers and a postage machine. Total rent expenses under these lease agreements were \$23,727 and \$25,742 for the year ended June 30, 2014 and 2013, respectively, which includes excess copy charges.

Future minimum lease payments under these operating leases are:

<u>Year Ending June 30,</u>	
2015	\$ 17,424
2016	17,424
2017	17,404
2018	<u>3,912</u>
	<u>\$ 56,164</u>

Minimum lease payments in this schedule exclude rentals under renewal options, which, as of June 30, 2014 are reasonably assured of being exercised.

19. CONCENTRATION OF RISK

The Pastoral Center maintains cash in deposit accounts in federally insured banks. At times, the balance in the accounts may be in excess of federally insured limits. At June 30, 2014 and 2013, there were \$1,430,177 and \$395,823, respectively, in excess of federally insured limits.

20. CONTINGENCIES

The Pastoral Center has signed as a guarantor on a loan with a financial institution for the building of the Holy Cross Middle School. The outstanding balances of the loan were \$501,091 and \$526,599 at June 30, 2014 and 2013, respectively. Holy Cross Middle School has made all payments to date. The loan has a maturity date of September 30, 2016. However, the loan stipulates the borrower will pay the loan in full immediately upon lender's demand. The loan is secured by real estate. The original amount of the loan was \$596,298. Of that \$346,298 was immediately borrowed and remaining \$250,000 was available to draw. The school has pledged a residence to the Pastoral Center as collateral should the Pastoral Center have to take over payments. The residence was originally estimated to be worth approximately \$200,000.

(Continued)

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

20. CONTINGENCIES (Continued)

The Priest Retirement and Disability Plan of the Roman Catholic Diocese of Las Cruces (Retirement Plan) is a separate legal entity. The Pastoral Center may be required to increase annual contributions to the plan to address the underfunded issue. As of June 30, 2014 and 2013, the latest actuarial study detailing the Plan's funding status and financial statements reported a deficit of accumulated Plan benefits of \$1,274,981 and \$1,617,000, respectively.

During the normal course of operations, the Pastoral Center may be subject to litigation. Some potential claims may be covered by insurance. In the opinion of the Pastoral Center's outside legal counsel, there is no current litigation that would be material to the financial statements.

21. LINES OF CREDIT

At June 30, 2014, the Diocese had two lines of credit with Citizens Bank of Las Cruces. One line of credit was for \$415,000 and had a maturity date of September 4, 2014. The other line of credit was for \$100,000 and has a maturity date of February 19, 2015. There was no outstanding balance at June 30, 2014 and 2013 on the lines of credit. The lines are secured by 1st and 2nd deeds of trust on the property located at 1280 Medpark Drive, Las Cruces, New Mexico.

22. SUBSEQUENT EVENTS

The Pastoral Center has evaluated subsequent events through January 30, 2015, the date which the financial statements were available to be issued.

Subsequent to year end, the line of credit in the amount of \$415,000 was renewed with a maturity date of September 4, 2015. The specific purpose of the line of credit is to provide a letter of credit in favor of the New Mexico Self Insurer's Guarantee Fund (Worker's Compensation).

Subsequent to year end, the Diocese guaranteed a loan to a financial institution in the amount of \$120,722 for the St. John Paul II parish. The loan calls for 59 equal payments and one balloon payment of \$92,476. The loan is due on demand is secured by real estate.

Subsequent to year end, the Diocese guaranteed an operating lease of office space for the St. John Paul II parish. The leases is for 12 months beginning October 1, 2014. There is an option to extend the lease for an additional 12 months. The rent is \$2,604 a month for the initial term of the lease. The rent will be \$2,708 per month for the option period.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Financial Council
The Roman Catholic Diocese of Las Cruces Pastoral Center

We have audited the financial statements of the Roman Catholic Diocese of Las Cruces Pastoral Center as of and for the years June 30, 2014 and 2013 and have issued our report thereon dated January 30, 2015, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion of the financial statements as a whole. The Schedule of Financial Position by Fund and Schedule of Activities and Changes in Net Assets by Fund is supplemental information presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the financial statements but was compiled from management's information without audit or review, therefore we do not express an opinion on the supplementary information or provide any assurance on the data presented in those two schedules.

Gibson Ruddock Patterson LLC

El Paso, Texas
January 30, 2015

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

SCHEDULE OF FINANCIAL POSITION BY FUND

JUNE 30, 2014

ASSETS

	Fund 1	Fund 2	Fund 3	Fund 4	Total
Current Assets					
Cash and cash equivalents	\$ 1,638,522	\$ -	\$ 2,112,857	\$ 506,407	\$ 4,257,786
Investments	-	-	-	344,378	344,378
PIP investments	-	-	2,114,927	-	2,114,927
Accounts receivable, net	201,504	-	-	52,610	254,114
Other assets	32,744	42,770	-	1,803	77,317
Real estate held for sale	-	-	263,868	-	263,868
Pledges receivable, net	402,326	-	-	-	402,326
Total current assets	2,275,096	42,770	4,491,652	905,198	7,714,716
Property and Equipment, net	-	2,308,338	-	-	2,308,338
Other Assets					
PIP Notes receivable	-	-	169,235	-	169,235
Due from (due to) other funds	(1,409,320)	(61,989)	1,327,599	143,710	-
Total other assets	(1,409,320)	(61,989)	1,496,834	143,710	169,235
Total assets	\$ 865,776	\$ 2,289,119	\$ 5,988,486	\$ 1,048,908	\$ 10,192,289

See independent auditors' report on supplementary information.

THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

SCHEDULE OF FINANCIAL POSITION BY FUND

JUNE 30, 2014

LIABILITIES AND NET ASSETS

	<u>Fund 1</u>	<u>Fund 2</u>	<u>Fund 3</u>	<u>Fund 4</u>	<u>Total</u>
Current Liabilities					
Accounts payable	\$ 199,090	\$ -	\$ -	\$ 4,660	\$ 203,750
Accrued payroll and payroll taxes	84,257	-	-	-	84,257
UIM rebate payable	539,509	-	-	-	539,509
Grants payable	40,000	-	-	-	40,000
Self insurance reserve	-	-	-	238,933	238,933
Deferred revenue	-	-	-	127,288	127,288
Funds held for others	210,609	-	-	-	210,609
Current portion of long-term debt	-	29,760	-	-	29,760
Total current liabilities	<u>1,073,465</u>	<u>29,760</u>	<u>-</u>	<u>370,881</u>	<u>1,474,106</u>
Long Term Liabilities					
PIP Deposits payable	-	-	7,968,733	-	7,968,733
Long term debt less current portion	-	7,545	27,558	-	35,103
Accrued pension liability	1,543,843	-	-	-	1,543,843
Total long term liabilities	<u>1,543,843</u>	<u>7,545</u>	<u>7,996,291</u>	<u>-</u>	<u>9,547,679</u>
Total liabilities	<u>2,617,308</u>	<u>37,305</u>	<u>7,996,291</u>	<u>370,881</u>	<u>11,021,785</u>
Net Assets					
Unrestricted	(1,929,675)	2,251,814	(2,007,805)	678,027	(1,007,639)
Temporarily restricted	178,143	-	-	-	178,143
Total net assets	<u>(1,751,532)</u>	<u>2,251,814</u>	<u>(2,007,805)</u>	<u>678,027</u>	<u>(829,496)</u>
Total liabilities and net assets	<u>\$ 865,776</u>	<u>\$ 2,289,119</u>	<u>\$ 5,988,486</u>	<u>\$ 1,048,908</u>	<u>\$ 10,192,289</u>

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THE ROMAN CATHOLIC DIOCESE OF LAS CRUCES PASTORAL CENTER

STATEMENT OF ACTIVITIES BY FUND

JUNE 30, 2014

	Fund 1	Fund 2	Fund 3	Fund 4	Total
Revenue and Support					
Pledged gifts	\$ 1,157,269	\$ -	\$ -	\$ -	\$ 1,157,269
Contributions - other	228,844	63,221	-	-	292,065
Grant revenues	520,994	-	-	-	520,994
Tax assessment revenues	973,803	-	-	-	973,803
Insurance assessment revenues	337,027	-	-	1,246,415	1,583,442
Other income	1,164	-	13,317	-	14,481
Materials, books & subscription sales	11,582	-	-	-	11,582
Fees	156,412	-	-	-	156,412
Interest income	14,352	-	125,519	943	140,814
Dividend income	-	-	46,332	1,893	48,225
Investment gains	-	-	421,729	36,508	458,237
Total revenue and support	3,401,447	63,221	606,897	1,285,759	5,357,324
Expenses					
Program services					
Pastoral	299,180	-	-	-	299,180
Religious development	602,428	-	-	-	602,428
Education	463,654	-	-	-	463,654
Community services	73,444	-	-	-	73,444
Mission development	39,550	-	-	-	39,550
Insurance	7,757	-	-	826,394	834,151
Total program services expenses	1,486,013	-	-	826,394	2,312,407
Support Services					
General and administrative	1,029,153	-	28,646	57,729	1,115,528
Stewardship development	262,178	-	-	-	262,178
Bad debt	323,776	-	377,000	256,000	956,776
Interest expense	12,631	2,101	8,337	6,840	29,909
Property taxes	11,582	-	27,558	-	39,140
Depreciation	-	107,174	-	-	107,174
Total support services expenses	1,639,320	109,275	441,541	320,569	2,510,705
Total Expenses	3,125,333	109,275	441,541	1,146,963	4,823,112
Increase (decrease) in net assets	276,114	(46,054)	165,356	138,796	534,212
Net Assets - Beginning of year	(2,113,076)	2,268,296	(2,173,161)	1,053,243	(964,698)
Prior period adjustment	-	-	-	(399,010)	(399,010)
Transfers between funds	85,430	29,572	-	(115,002)	-
Net Assets - End of year	\$ (1,751,532)	\$ 2,251,814	\$ (2,007,805)	\$ 678,027	\$ (829,496)

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