
The Roman Catholic Diocese of Las Cruces Pastoral Center

*Financial Statements
and
Independent Auditor's Report
June 30, 2021 and 2020*

REDW^{LLC}
CPAs | Advisors

The Roman Catholic Diocese of Las Cruces Pastoral Center

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Independent Auditor's Report

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

We have audited the accompanying financial statements of The Roman Catholic Diocese of Las Cruces Pastoral Center (a non-profit organization), which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 qualified audit opinion.

Basis for Qualified Opinion

The Roman Catholic Diocese of Las Cruces Pastoral Center did not obtain an actuarial report containing the necessary information required under Financial Accounting Standards Board Accounting Standards Codification Topic 715 (ASC 715), Compensation – Retirement Benefits, to support the net priest’s pension asset, net priest’s pension liability, and post-retirement changes other than net periodic post-retirement benefit cost. Additionally, the Roman Catholic Diocese of Las Cruces Pastoral Center’s financial statements do not include all the required disclosures related to the defined benefit plan (Note J) due to the inability to obtain the necessary actuarial report under ASC 715. In our opinion, the additional disclosures are required to conform to accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the omission of the information described in the Basis for Qualified Opinion paragraph, 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, 2021 and 2020, 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.

REDW LLC

Albuquerque, New Mexico
November 12, 2021

Financial Statements

The Roman Catholic Diocese of Las Cruces Pastoral Center
Statements of Financial Position
June 30,

	2021	2020
Current assets		
Cash and cash equivalents	\$ 6,794,003	\$ 3,738,711
Investments held in trust	4,996,758	5,687,843
Accounts receivable, net	616,567	642,371
Pledges receivable, net	167,443	212,420
Assets held for sale	502,471	386,045
Other current assets	42,770	43,680
Notes receivable held in trust, current portion	197,593	245,562
Total current assets	13,317,605	10,956,632
Property and equipment, net	1,258,240	1,790,623
Other assets		
Investment in captives	469,695	406,944
Net priests' pension asset	8,097	-
Notes receivable held in trust, net of current portion	894,224	1,577,558
Total other assets	1,372,016	1,984,502
Total assets	\$ 15,947,861	\$ 14,731,757
Current liabilities		
Accounts payable and accrued expenses	\$ 162,914	\$ 119,815
United in Ministry rebates payable	46	173,686
Funds held in trust	403,952	219,275
Self-insurance reserve and accrued claims	352,685	352,685
Current portion of long-term debt	43,078	146,109
Total current liabilities	962,675	1,011,570
Long-term liabilities		
Parish deposits held in trust	9,891,842	9,786,919
Long-term debt, less current portion	17,262	185,061
Net priests' pension liability	-	699,139
Total long-term liabilities	9,909,104	10,671,119
Total liabilities	10,871,779	11,682,689
Net assets		
Net assets without donor restrictions	4,698,971	2,817,325
Net assets with donor restrictions	377,111	231,743
Total net assets	5,076,082	3,049,068
Total liabilities and net assets	\$ 15,947,861	\$ 14,731,757

See accompanying notes and independent auditor's report.

The Roman Catholic Diocese of Las Cruces Pastoral Center
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Parish assessments	\$ 1,102,307	\$ -	\$ 1,102,307
Insurance premium revenues	1,552,011	-	1,552,011
United in Ministry pledges	1,514,587	-	1,514,587
Contributions and bequests	28,258	109,250	137,508
Investment income	590,752	-	590,752
Grants	-	499,717	499,717
Administrative service fees	52,197	-	52,197
Other	75,585	-	75,585
Net assets released from restrictions	<u>463,599</u>	<u>(463,599)</u>	<u>-</u>
Total revenue and support	<u>5,379,296</u>	<u>145,368</u>	<u>5,524,664</u>
Expenses			
Program services			
Pastoral support services	743,889	-	743,889
Evangelization and community outreach	455,846	-	455,846
Parish administrative support	<u>303,403</u>	<u>-</u>	<u>303,403</u>
Total program services expense	<u>1,503,138</u>	<u>-</u>	<u>1,503,138</u>
Support Services			
General and administrative	2,711,329	-	2,711,329
Fundraising	<u>64,855</u>	<u>-</u>	<u>64,855</u>
Total support services expense	<u>2,776,184</u>	<u>-</u>	<u>2,776,184</u>
Total expenses	<u>4,279,322</u>	<u>-</u>	<u>4,279,322</u>
Increase in net assets before change in pension liability	1,099,974	145,368	1,245,342
Gain on sale of property	74,436	-	74,436
Post-retirement changes other than net periodic post-retirement benefit cost	<u>707,236</u>	<u>-</u>	<u>707,236</u>
Increase in net assets	1,881,646	145,368	2,027,014
Net assets at June 30, 2020	<u>2,817,325</u>	<u>231,743</u>	<u>3,049,068</u>
Net assets at June 30, 2021	<u>\$ 4,698,971</u>	<u>\$ 377,111</u>	<u>\$ 5,076,082</u>

See accompanying notes and independent auditor's report.

The Roman Catholic Diocese of Las Cruces Pastoral Center
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Parish assessments	\$ 1,174,347	\$ -	\$ 1,174,347
Insurance premium revenues	1,312,866	-	1,312,866
United in Ministry pledges	1,496,542	-	1,496,542
Contributions and bequests	23,166	75,886	99,052
Investment income	353,445	-	353,445
Grants	-	318,415	318,415
Administrative service fees	179,292	-	179,292
Recovery of bad debt	56,372	-	56,372
Other	37,623	-	37,623
Net assets released from restrictions	<u>365,151</u>	<u>(365,151)</u>	<u>-</u>
Total revenue and support	<u>4,998,804</u>	<u>29,150</u>	<u>5,027,954</u>
Expenses			
Program services			
Pastoral support services	653,939	-	653,939
Evangelization and community outreach	911,556	-	911,556
Parish administrative support	<u>208,675</u>	<u>-</u>	<u>208,675</u>
Total program services expense	<u>1,774,170</u>	<u>-</u>	<u>1,774,170</u>
Support Services			
General and administrative	2,338,053	-	2,338,053
Fundraising	<u>196,426</u>	<u>-</u>	<u>196,426</u>
Total support services expense	<u>2,534,479</u>	<u>-</u>	<u>2,534,479</u>
Total expenses	<u>4,308,649</u>	<u>-</u>	<u>4,308,649</u>
Increase in net assets before change in pension liability	690,155	29,150	719,305
Post-retirement changes other than net periodic post-retirement benefit cost	<u>(349,116)</u>	<u>-</u>	<u>(349,116)</u>
Increase in net assets	341,039	29,150	370,189
Net assets at June 30, 2019	<u>2,476,286</u>	<u>202,593</u>	<u>2,678,879</u>
Net assets at June 30, 2020	<u>\$ 2,817,325</u>	<u>\$ 231,743</u>	<u>\$ 3,049,068</u>

See accompanying notes and independent auditor's report.

The Roman Catholic Diocese of Las Cruces Pastoral Center
Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services				Support Services		
	Pastoral Support Services	Evangelization and Outreach	Parish Administrative Support	Total	General and Administrative	Fundraising	Total
Expenses							
Salaries and benefits	\$ 389,649	\$ 83,473	\$ 181,552	\$ 654,674	\$ 333,027	\$ 7,583	\$ 340,610
Occupancy costs	77,217	7,108	29,484	113,809	78,500	27,432	105,932
Travel and professional development	36,026	32,952	3,129	72,107	11,296	8,536	19,832
Professional services	70,744	46,680	47,825	165,249	138,796	3,685	142,481
Support and grants	151,722	282,510	34,973	469,205	38,029	6,155	44,184
Events	4,035	3,123	415	7,573	819	5,364	6,183
Insurance premiums and claims	-	-	-	-	1,857,123	-	1,857,123
Bad debt and interest	-	-	-	-	157,356	-	157,356
Depreciation	-	-	-	-	74,242	-	74,242
Other	14,496	-	6,025	20,521	22,141	6,100	28,241
Total expenses	\$ 743,889	\$ 455,846	\$ 303,403	\$ 1,503,138	\$ 2,711,329	\$ 64,855	\$ 2,776,184

See accompanying notes and independent auditor's report.

The Roman Catholic Diocese of Las Cruces Pastoral Center
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services				Support Services		
	Pastoral Support Services	Evangelization and Outreach	Parish Administrative Support	Total	General and Administrative	Fundraising	Total
Expenses							
Salaries and benefits	\$ 232,843	\$ 364,630	\$ 110,371	\$ 707,844	\$ 306,535	\$ 100,624	\$ 407,159
Occupancy costs	41,361	9,461	15,866	66,688	112,656	6,011	118,667
Travel and professional development	33,616	63,329	1,722	98,667	5,696	12,694	18,390
Professional services	98,083	52,986	49,610	200,679	182,524	22,683	205,207
Support and grants	198,286	327,283	14,827	540,396	13,441	3,964	17,405
Events	18,995	93,821	923	113,739	(192)	4,953	4,761
Insurance premiums and claims	-	-	-	-	1,356,899	-	1,356,899
Bad debt and interest	-	-	-	-	252,146	-	252,146
Depreciation	-	-	-	-	89,441	-	89,441
Other	30,755	46	15,356	46,157	18,907	45,497	64,404
Total expenses	<u>\$ 653,939</u>	<u>\$ 911,556</u>	<u>\$ 208,675</u>	<u>\$ 1,774,170</u>	<u>\$ 2,338,053</u>	<u>\$ 196,426</u>	<u>\$ 2,534,479</u>

See accompanying notes and independent auditor's report.

The Roman Catholic Diocese of Las Cruces Pastoral Center
Statements of Cash Flows
For the Year Ended June 30,

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 2,027,014	\$ 370,189
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	74,242	89,441
Change in pension liability	(707,236)	349,116
Bad debt expense	74,646	66,037
Interest from parish deposits held in trust	49,820	170,900
Unrealized gains	(245,414)	(74,271)
(Gain) loss on sale of property	(74,436)	1,581
Recognition of the Paycheck Protection Program loan grant revenue	(255,772)	-
Changes in operating assets and liabilities		
Accounts receivable	25,804	(194,516)
Pledges receivable	13,301	(3,901)
Other assets	910	(910)
Deposits in captive insurance	(62,751)	(53,447)
Accounts payable and accrued expenses	43,099	(29,905)
United in ministry rebates payable	(173,640)	(138,137)
Funds held in trust	184,677	190,916
Net cash provided by operating activities	974,264	743,093
Cash flows from investing activities		
Fixed asset purchases	-	(12,330)
Payments received on notes receivable held in trust	747,704	229,873
Additional notes receivable held in trust issued	(59,371)	(123,058)
Investment purchases	(375,808)	(45,054)
Proceeds from sale of investments	1,312,307	-
Proceeds from sale of property	416,151	-
Net cash provided by investing activities	2,040,983	49,431
Cash flows from financing activities		
Increase in parish deposits held in trust	537,305	598,500
Withdrawals from parish deposits held in trust	(482,202)	(599,612)
Proceeds from notes payable	-	255,772
Repayment of notes payable	(15,058)	(16,260)
Net cash provided by financing activities	40,045	238,400
Net increase in cash and cash equivalents	3,055,292	1,030,924
Cash and cash equivalents at beginning of the year	3,738,711	2,707,787
Cash and cash equivalents at end of year	\$ 6,794,003	\$ 3,738,711
Supplemental cash flow information and noncash investing/financing activities		
Interest paid	\$ 49,820	\$ 186,109
Property and equipment noncash disposal and acquisition	\$ -	\$ 342,617
Transfer of property and equipment to assets held for sale	\$ 458,141	\$ 15,500

See accompanying notes and independent auditor's report.

The Roman Catholic Diocese of Las Cruces Pastoral Center
Notes to Financial Statements
June 30, 2021 and 2020

NOTE A – SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Financial Reporting Entity

The Roman Catholic Diocese of Las Cruces (the “Pastoral Center”) is a not-for-profit corporation established under the laws of the State of New Mexico and operates as a religious organization. The Pastoral Center is in Southern New Mexico and provides services to parishes, schools and other Catholic organizations located within its geographic boundary and under the authority of the Bishop of Las Cruces. Services provided include administrative services regarding education, charitable projects, parish administration and religious personnel activities.

The financial statements are presented for The Roman Catholic Diocese of Las Cruces, Inc. which operates as the Pastoral Center. These statements do not include a complete presentation for all Catholic entities located within the boundaries of the Pastoral Center. Catholic organizations located with the geographic boundary of the Pastoral Center operate under the canonical authority of the Bishop of Las Cruces but are separate not-for-profit corporations under the laws of the State of New Mexico. Daily operations of these entities are controlled and supervised by local pastors and administrators.

The Pastoral Center’s expenses are allocated among the following program categories:

a. Diocesan Pastoral Support

The Bishop of Las Cruces provides pastoral care on a diocesan-wide basis. His direct expenses, those of the Chancery, and those of the Marriage Tribunal are included in this category. Also included are expenses incurred in providing pastoral resources and spiritual support to the people of the Diocese.

b. Evangelization & Community Outreach

The Pastoral Center funds services and employs personnel with the primary objective of supporting evangelization, spiritual discernment, and community outreach. These expenses are reported in the category.

c. Direct Parish Support

The Pastoral Center funds services and employs personnel with the primary objective of directly aiding Catholic parishes and schools with various administrative functions related to the management of temporal goods and church employees. The Pastoral Center also provides self-insurance for the parishes and schools. Claims paid by the Pastoral Center on behalf of the parishes or schools are charged back to the individual entity and are included in accounts receivable, net, on the statement of financial position.

The Roman Catholic Diocese of Las Cruces Pastoral Center
Notes To Financial Statements
June 30, 2021 and 2020

2. *Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-01 (ASU 2016-01) – *Financial Instruments (Subtopic 825-10)*, which targeted improvements to GAAP regarding financial instruments. ASU 2016-01 eliminates the requirement to classify investments in equity securities with readily determinable fair values into trading or available-for-sale categories and requires those equity securities to be measured at fair value with changes in fair value recognized in net income rather than in OCI. The Pastoral Center adopted ASU 2016-01 effective July 1, 2019. As the Pastoral Center is a not-for-profit entity, this ASU has no impact on recognition methods for the Pastoral Center in the period of implementation.

Additionally, in June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU No. 2018-08 is effective for fiscal years beginning after December 15, 2018. The Organization adopted this standard effective July 1, 2020, with no effect on net assets.

3. *Basis of Financial Statement Presentation*

The Pastoral Center is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, program and event registration fees and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, or permanently, in which the donor has stipulated the funds be maintained in perpetuity.

The Roman Catholic Diocese of Las Cruces Pastoral Center
Notes To Financial Statements
June 30, 2021 and 2020

When a donor restriction is satisfied or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from donor restrictions.

Internally Designated Net Assets

At June 30, 2021 and 2020, unrestricted net assets in the amount of \$110,880 and \$0, respectively, have been designated by the Pastoral Center's Bishop for charitable expenses. Internally designated net assets remain under the control of the Bishop which may, at its discretion, later use these net assets for other purposes. Therefore, internally designated net assets are included with net assets without donor restrictions on the statement of financial position.

4. *Cash and Cash Equivalents*

Cash and cash equivalents consist of short-term highly liquid investments, which are readily convertible into cash within ninety (90) days of purchase, including money market funds and certificates of deposit not held within an investment portfolio. The carrying value of cash and cash equivalents approximates fair value when the terms and lengths of the agreements are considered.

5. *Concentrations of Credit 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 the \$250,000 limit insured by the Federal Deposit Insurance Corporation. As of June 30, 2021 and 2020, the Pastoral Center has not experienced any losses in such accounts and believe that it is not exposed to significant credit risk on its cash and cash equivalents. Uninsured cash balance at June 30, 2021 and 2020, totaled \$4,905,989 and \$2,931,345, respectively.

6. *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Significant estimates include the future obligations for long-term priest care, the estimate for claims payable, the allowance for doubtful accounts, and the fair value of the investment in captives.

The Roman Catholic Diocese of Las Cruces Pastoral Center
Notes To Financial Statements
June 30, 2021 and 2020

7. *Accounts Receivable*

Allowances are determined by considering several factors, including the length of time accounts are past due, previous loss history, debtors' current ability to pay its obligation and an aging analysis performed annually by management. The carrying value of accounts receivable approximates fair value when the terms and lengths of the agreements are considered.

8. *Parish Deposits and Notes Receivable Held in Trust*

The Pastoral Center holds cash deposits in trust for parishes located within the Diocese of Las Cruces. Deposits held in trust are invested on the parish's behalf through various short and mid-term investments. The Pastoral Center also makes loans to parishes within the Diocese of Las Cruces for various construction projects on behalf of parishes with deposits held by the Pastoral Center. The carrying value of parish deposits and notes receivable held in trust approximates fair value when the terms and lengths of the agreements are considered.

Loans are made after recommendation from an independent committee. All loans must be approved by both the independent committee and the Bishop of Las Cruces. All loans have promissory notes associated with them and are made at fixed interest rates over a defined term. Interest received from loans is credited to parish deposits held in trust.

9. *Investments Held in Trust*

The Pastoral Center makes investments in marketable securities on behalf of parishes who have made deposits with the Pastoral Center. The Pastoral Center carries investments in marketable equity securities with readily determined fair values and all investments in debt securities at their fair values in the statement of financial position. Certificates of deposit are carried at amortized cost which approximates fair value. Realized and unrealized gains and losses are included in the accompanying statement of activities and changes in net assets.

Investments in general are exposed to various risks, such as interest rate, credit and overall volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of activities and changes in net assets.

10. *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 greater than \$5,000.

The Roman Catholic Diocese of Las Cruces Pastoral Center
Notes To Financial Statements
June 30, 2021 and 2020

11. Depreciation

Depreciation expense is computed using the straight-line method over estimated useful lives. Asset lives for financial statement reporting purposes are between 3 and 40 years based on asset-type and expected useful life.

12. Contributed Services

The Pastoral Center receives a substantial amount of services donated by its members in carrying out the Church ministry. No amount has been reflected in the financial statements for those services since they do not meet the criteria for revenue recognition under accounting standards for contributions received and contributions made.

13. Functional Allocation of Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocation methodology is based on actual expenses incurred by each program. Indirect costs are allocated based on time spent estimated by management.

14. Income Taxes

The Pastoral Center is a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and, as such, is exempt from income taxes, and is not deemed a private foundation under the internal revenue code.

The Pastoral Center has recognized in the financial statements the effects of all tax positions and continually evaluates expiring statutes of limitations, audits, changes in tax law, and new authoritative rulings. The Pastoral Center is not aware of any circumstances or events that make it necessary to recognize a liability or disclose in the financial statements any effects of tax positions taken.

15. Reclassifications

Certain reclassifications were made to 2020 balances to conform to the 2021 presentation. These reclassifications had no impact on change in net assets or net assets.

16. Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should

The Roman Catholic Diocese of Las Cruces Pastoral Center
Notes To Financial Statements
June 30, 2021 and 2020

recognize revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. On May 20, 2020, the FASB voted to defer the effective date of ASC 606. The ASU is effective for the Pastoral Center's annual periods beginning after December 15, 2019, which is the year ended June 30, 2021. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. This ASU did not have a significant impact on the Pastoral Center's financial statements for the year ended June 30, 2021 and 2020.

17. Subsequent Events

Subsequent events were evaluated for recognition or disclosure in these financial statements through November 12, 2021, the date which the financial statements were available to be issued.

NOTE B – PARISH DEPOSITS AND NOTES RECEIVABLE HELD IN TRUST

The Pastoral Center holds cash and notes receivable in trust for various parishes located within the Pastoral Center to assist these entities with management of the assets. These assets are managed by an internal committee made up of independent members. The committee sets interest rates paid to parishes who have cash deposited in trust with the Pastoral Center as well as sets interest rates on loans for notes receivable issued in trust by the Pastoral Center for the benefit of the parishes.

Proceeds from loans issued by the committee must be used exclusively for building projects within the Pastoral Center.

At June 30, 2021 and 2020, the interest rate paid on parish deposits held in trust ranged from 0.5% - 2.5% and the interest rate charged on notes receivable issued ranged from 3.0% - 6.0%. For the year ended June 30, 2021 and 2020, deposit accounts incurred a total of \$49,820 and \$169,927, respectively, in interest and loan accounts earned a total of \$86,852 and \$75,364, respectively, in interest.

The Pastoral Center holds a loan from the parish assets held in trust, the proceeds of which were used for building improvements as well as new parish construction. The balance of the loan at June 30, 2021 and 2020, was \$608,686 and \$758,397, respectively, and was eliminated as an interfund transaction.

The Roman Catholic Diocese of Las Cruces Pastoral Center
Notes To Financial Statements
June 30, 2021 and 2020

NOTE C – ACCOUNTS AND PLEDGES RECEIVABLE

Accounts receivable at June 30, 2021, consists of:

	<u>Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivable</u>
Parish Assessments	\$ 331,737	\$ 280,223	\$ 51,514
Property & Liability Premiums	1,339,061	1,062,959	276,102
Medical Insurance Premiums	267,028	179,898	87,130
Due from Foundation	<u>201,821</u>	<u>-</u>	<u>201,821</u>
	<u>\$ 2,139,647</u>	<u>\$ 1,523,080</u>	<u>\$ 616,567</u>
 United in Ministry Pledges	 <u>\$ 167,443</u>	 <u>\$ -</u>	 <u>\$ 167,443</u>

Accounts receivable at June 30, 2020, consists of:

	<u>Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivable</u>
Parish Assessments	\$ 542,158	\$ 373,151	\$ 169,007
Property & Liability Premiums	1,304,678	1,087,600	217,078
Medical Insurance Premiums	463,575	392,896	70,679
Due from Foundation	161,821	-	161,821
Other	<u>23,786</u>	<u>-</u>	<u>23,786</u>
	<u>\$ 2,496,018</u>	<u>\$ 1,853,647</u>	<u>\$ 642,371</u>
 United in Ministry Pledges	 <u>\$ 290,904</u>	 <u>\$ 78,484</u>	 <u>\$ 212,420</u>

NOTE D – INVESTMENT AND FAIR VALUE MEASUREMENTS

The Pastoral Center follows the fair value measurement guidance for financial assets and financial liabilities. The guidance defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements.

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Fair value is defined to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level hierarchy has been established for fair value measurements based upon the inputs to the valuation of an asset or liability as follows:

- Level 1 Valuation is based on quoted prices for identical assets and liability in active markets.
- Level 2 Valuation is derived from inputs, other than quoted prices included in Level 1, which are observable for the asset or liability either directly or indirectly. Investments classified as Level 2 are generally valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. The significant inputs used in this approach include interest rates, prepayment timing, yield spreads, credit losses and credit ratios of the securities.
- Level 3 Valuation is derived from unobservable inputs that are not corroborated by market data.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2021 and 2020.

Common stock – Valued at the closing price reported in the active market on which the securities are traded.

Mutual funds – Valued at the daily closing price as reported by the fund. Shares held by the Diocese are registered with the Securities Exchange Commission and are required to publish their daily net asset value and transact at that price.

Corporate bonds – Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Government securities – Valued using pricing models maximizing the use of observable inputs for similar securities.

Certificates of deposit – Valued using matrix pricing techniques maintained by various pricing vendors.

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 management 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.

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Fair value of the Pastoral Center’s investments measured on a recurring basis by class of asset and by level was as follows at June 30, 2021 and 2020:

2021	Fair Value	Level 1	Level 2	Level 3
Mutual funds	\$ 2,269,086	\$ 2,269,086	\$ -	\$ -
Certificates of deposit	1,213,540	-	1,213,540	-
Corporate bonds	276,543	-	276,543	-
Common stock	<u>1,237,589</u>	<u>1,237,589</u>	-	-
Total investments	<u>\$ 4,996,758</u>	<u>\$ 3,506,675</u>	<u>\$ 1,490,083</u>	<u>\$ -</u>

2020	Fair Value	Level 1	Level 2	Level 3
Mutual funds	\$ 1,937,219	\$ 1,937,219	\$ -	\$ -
Certificates of deposit	1,736,251	-	1,736,251	-
U.S. governmental securities	446,504	-	446,504	-
Corporate bonds	344,974	-	344,974	-
Common stock	<u>1,222,895</u>	<u>1,222,895</u>	-	-
Total investments	<u>\$ 5,687,843</u>	<u>\$ 3,160,114</u>	<u>\$ 2,527,729</u>	<u>\$ -</u>

NOTE E – PROPERTY AND EQUIPMENT

A following is a summary of property and equipment, at cost, at June 30:

	2021	2020
Buildings and improvements	\$ 1,361,513	\$ 1,831,167
Vehicles and equipment	124,133	124,133
Furniture and fixtures	255,378	255,378
Water rights	<u>15,070</u>	<u>15,070</u>
Total property and equipment	1,756,094	2,225,748
Less accumulated depreciation	(967,920)	(1,005,660)
Land	<u>470,066</u>	<u>570,535</u>
Total property and equipment, net	<u>\$ 1,258,240</u>	<u>\$ 1,790,623</u>

Depreciation expense for the year ended June 30, 2021 and 2020, was \$74,242 and \$89,441, respectively.

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During the year, the Pastoral Center decided to place for sale certain assets that were previously used in operations as these assets were no longer being used in operations. These assets are included in assets held for sale on the accompanying statement of financial position as of June 30, 2021 and 2020.

NOTE F – CAPTIVES AND SELF INSURANCE RESERVE

Captives

The Pastoral Center is a member in the Bishop's Plan Insurance Company ("BPIC"), a captive insurance company incorporated under the laws of the Non-Profit Corporation Act of the State of Vermont and is taxed as a non-profit by the IRS under Section 501(c)(3). BPIC provides reinsurance on an occurrence basis for general liability, property, automobile liability, workers' compensation, crime, errors and omissions, fidelity and other ancillary coverages included in the member's policy. Policies are issued by and premiums are paid directly to BPIC which assumes 1-40% of the quota-share per loss or claim, depending on the line of coverage. For the year ended June 30, 2021 and 2020, the Pastoral Center paid \$236,593 and \$169,236, respectively, in premiums to BPIC. In the event of adverse loss development in the BPIC's layer of risk, the Pastoral Center, as a member, can incur an additional loss assessment.

The Pastoral Center is a shareholder in The National Catholic Risk Retention Group ("TNCRRG"), a Vermont company that operates as a risk retention group under the federal Liability and Risk Retention Act of 1986. TNCRRG provides primary coverage on a claims-made or occurrence basis for general liability, personal injury, automobile, and other coverages. TNCRRG offers primary coverage of up to \$750,000 for each loss, in excess self-insured retention of \$250,000. For the year ended June 30, 2021 and 2020, the Pastoral Center paid \$499,811 and \$284,598, respectively, in premiums to TNCRRG. In the event of adverse loss development in the TNCRRG's layer of risk, the Pastoral Center can incur an additional loss assessment.

Contracts pursuant to which it is not reasonably possible that the reinsurer may realize a significant loss from the insurance risk generally do not meet the requirements for reinsurance accounting and are accounted for as deposits. For the year ended June 30, 2021 and 2020, the company had reinsurance contracts that do not transfer risk, and therefore are being reported in accordance with ASC 340-30. At June 30, 2021 and 2020, the Pastoral Center had \$407,476 and \$350,076, respectively, related to BPIC and \$62,219 and \$56,868, respectively, related to TNCRRG related to these contracts, which are included in Investments in Captives in the accompanying Statement of Financial Position.

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Self-Insurance Reserve

The Pastoral Center establishes insurance claim liabilities for property, liability, workers' compensation and automobile claims based on estimates of the ultimate costs of claims (net of reinsurance payments) 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 reserve was \$52,685 as of June 30, 2021 and 2020.

NOTE G – LETTER OF CREDIT

At June 30, 2021 and 2020, the Pastoral Center had a letter of credit with Citizens Bank of Las Cruces in the amount of \$415,000 with a maturity date of August 4, 2021, which was renewed subsequent to year-end through August 2022. The letter of credit can be drawn by the New Mexico Workers Compensation Administration to pay historical workers compensation claims against the Pastoral Center in the event of financial insolvency of the Pastoral Center.

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NOTE H – NOTES PAYABLE

	2021		2020
Note payable for a vehicle loan, payable in 60 monthly installments of \$169 at an interest rate of 1.9% with final installment due June 2022, secured by vehicle.	\$ 4,156	\$	6,084
Note payable for a vehicle loan, payable in 60 monthly installments of \$389 at an interest rate of 0% with final installment due June 2023, secured by vehicle.	9,339		14,008
Note payable for a vehicle loan, payable in 72 monthly installments of \$345 at an interest rate of 0% with final installment due December 2023, secured by vehicle.	10,342		14,479
Note payable for a vehicle loan, payable in 60 monthly installments of \$357 at an interest rate of 0% with final installment due December 2023, secured by vehicle.	10,711		14,995
Note payable to an individual for real estate repairs, there are no stated repayment terms and the loan is unsecured.	25,792		25,832
Note payable for the Paycheck Protection Program, payable in 17 payments of amounts to be determined as of the payment adjustment date at an interest rate of 1%, final payment due April 2022, if unforgiven (Note I).	<u>-</u>		<u>255,772</u>
Total notes payable	60,340		331,170
Less current portion	(43,078)		<u>(146,109)</u>
Long-term portion, notes payable	\$ 17,262	\$	<u>185,061</u>

Future maturities of notes payable are as follows at June 30, 2021:

Year ending June 30:	
2022	\$ 43,078
2023	13,051
2024	<u>4,211</u>
Total	<u>\$ 60,340</u>

The Roman Catholic Diocese of Las Cruces Pastoral Center
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NOTE I – PAYCHECK PROTECTION PROGRAM

On April 16, 2020, the Pastoral Center received loan proceeds in the amount of \$255,772 under the Payment Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), provided for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest were forgivable after the twenty-four-week period as long as the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintained its payroll levels. The amount of the loan forgiveness was to be reduced if the borrower terminated employees or reduced salaries during the twenty-four-week period.

During fiscal year 2021, the Pastoral Center met the conditions for forgiveness of the loan and was relieved of the obligation in its entirety on March 22, 2021. The balance of the PPP loan was recognized as grant revenue with donor restrictions and simultaneously released from restrictions on the Statement of Activities and Changes in Net Assets, in accordance with FASB ASC 958-606.

NOTE J – DEFINED BENEFIT PLAN – PRIEST RETIREMENT PLAN

The Pastoral Center serves as the plan sponsor for a post-retirement defined benefit plan that provides retirement benefits to retired clergy who satisfy certain age and service requirements at the time of retirement. The plan operates under a separate legal entity, The Priests’ Retirement Plan of The Roman Catholic Diocese of Las Cruces, Inc. (the “Priest Retirement Plan”), a not-for-profit corporation under the laws of the State of New Mexico. The Priest Retirement Plan assets are segregated from other assets of the Diocese and the Priest Retirement Plan is managed by an independent board of directors composed of clergy from within the diocese who are eligible for participation in the plan.

Funding for the Priest Retirement Plan is derived from contributions received directly from parishes within the diocese. The Pastoral Center does not contribute to the Priest Retirement Plan.

The Pastoral Center has recognized the unfunded status of its post-retirement defined benefit plan in the statement of financial position; however, due to cost and time restraints, the Pastoral Center has omitted substantially all the required disclosures related to defined benefit plans. The funded status is defined as the difference between plan assets at fair value and the benefit obligation as determined by an independent actuary.

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The following amounts relate to the Pastoral Center's defined benefit plan as of June 30:

	2021	2020
Benefit obligation at end of year	<u>\$ 3,971,071</u>	<u>\$ 3,709,551</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 3,010,412	\$ 2,941,190
Contributions from parishes	315,009	327,330
Benefits paid	(244,153)	(252,815)
Management and general expenses	(55,863)	(66,441)
Contribution from Pastoral Center	128,285	-
Return on plan assets	<u>825,478</u>	<u>61,148</u>
Fair value of plan assets at end of year	<u>\$ 3,979,168</u>	<u>\$ 3,010,412</u>
Ending net pension liability (asset) at June 30,	\$ (8,097)	\$ 699,139
Beginning net pension liability at June 30,	<u>699,139</u>	<u>350,023</u>
Accrued benefit (gain) cost for the year ended June 30,	<u>\$ (707,236)</u>	<u>\$ 349,116</u>

The following assumptions were used to determine the year-end benefit obligation:

Discount rate on benefit obligation	4.00%	3.00%
Rate of expected return on plan assets	4.00%	3.00%
Rate of priests' compensation increase	2.00%	0.00%

The Priest Retirement Plan measures fair value of the plan's investments using a three-level hierarchy based upon observable inputs. These plan assets are not included in the assets presented in the accompanying statement of financial position.

Fair value of the plan's investments measured on a recurring basis by class of assets and by level were as follows at June 30, 2021 and 2020:

2021	Fair Value	Level 1	Level 2	Level 3
Mutual funds	\$ 467,553	\$ 467,553	\$ -	\$ -
U.S. governmental and sponsored securities	187,914	187,914	-	-
Corporate bonds	141,739	141,739	-	-
Equities	<u>2,686,948</u>	<u>2,686,948</u>	-	-
Total investments	<u>\$ 3,484,154</u>	<u>\$ 3,484,154</u>	<u>\$ -</u>	<u>\$ -</u>

The Roman Catholic Diocese of Las Cruces Pastoral Center
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2020	Fair Value	Level 1	Level 2	Level 3
Mutual funds	\$ 426,939	\$ 426,939	\$ -	\$ -
U.S. governmental and sponsored securities	170,169	170,169	-	-
Corporate bonds	168,896	168,896	-	-
Equities	1,930,964	1,930,964	-	-
Total investments	<u>\$ 2,696,968</u>	<u>\$ 2,696,968</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE K – 403(B) RETIREMENT PLAN

The Pastoral Center sponsors a 403(b) retirement plan (the “Plan”) to provide retirement benefits to its employees. The Plan allows eligible employees to defer a portion of their annual compensation up to the annual limits permitted by the Internal Revenue Code. Under the terms of the Plan, there are no age or service requirements to participate in the Plan. The Pastoral Center matches 100% of an employee’s contributions that do not exceed \$1,000 annually. The Pastoral Center’s matching contributions to the Plan totaled \$4,577 and \$6,819 for the year ended June 30, 2021 and 2020, respectively, which are included in salaries and benefits in the accompanying statement of functional expenses.

NOTE L – NET ASSETS WITH DONOR RESTRICTIONS

The Pastoral Center’s net assets with donor restrictions balance consists of the following as of June 30:

	2021	2020
Mission Textbook Fund	\$ -	\$ 8,370
Hispanic Music Conference	575	575
Mariachi Mass	3,215	3,215
Youth Ministry	4,000	-
Turnball Grant	4,608	4,608
Bishop’s Charity Fund	8,396	8,396
Bishop Installation Funds	9,557	9,557
Catholic Extension Cemetery Grant	10,000	-
Catholic Extension Lending Library Grant	10,669	10,669
Raskob Grant for Seminarian Education	15,000	-
San Juan Diego Institute	25,124	25,124
Prison Ministry	29,365	29,365
Mission Coop Funds for Seminarian Education	31,359	-
Koch Grants	32,225	-
Seminarian Special Collections	21,066	19,759
Darr Estate Funds	48,265	48,265
Catholic Home Missions	50,808	-
Project Oak Tree	72,879	63,840
Total net assets with donor restrictions	<u>\$ 377,111</u>	<u>\$ 231,743</u>

The Roman Catholic Diocese of Las Cruces Pastoral Center
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June 30, 2021 and 2020

NOTE M – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time stipulated by donors as follows for the year ended June 30:

	<u>2021</u>	<u>2020</u>
Liber Cristo Retreat	\$ -	\$ 1,500
Advertising for Retired Priests	-	1,875
Stewardship and Development	-	3,287
San Juan Diego Institute	-	5,560
Raskob Grant for Seminarian Education	-	20,000
Bishop Installation	-	42,983
Project Oak Tree	-	71,134
Finance Activities - DFMC Conference	1,500	2,335
Mission Textbook Fund	8,370	1,000
Koch Grants	15,620	-
Catholic Extension Seminarian Education Grants	35,000	53,522
Catholic Home Missions	36,848	160,000
Seminarian Special Collection	51,889	1,955
Archdiocese of Miami Seminarian Scholarships	58,600	-
PPP Loan	255,772	-
Total net assets released from restrictions	<u>\$ 463,599</u>	<u>\$ 365,151</u>

NOTE N – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Pastoral Center’s financial assets as of June 30, 2021 and 2020. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash and cash equivalents	\$ 6,794,003	3,738,711
Accounts receivable	616,567	642,371
Pledges receivable	167,443	212,420
Investments held in trust	4,996,758	5,687,843
Financial assets at year-end	<u>12,574,771</u>	<u>10,281,345</u>
Less amounts unavailable for general expenditure within one year		
Funds held in trust	403,952	219,275
Investments held in trust	4,996,758	5,687,843
Cash equivalents held in trust	1,778,686	798,630
Purpose restrictions	377,111	231,743
United in Ministry rebates payable	46	173,686
Financial assets available for general expenditure within one year	<u>\$ 5,018,218</u>	<u>\$ 3,170,168</u>

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NOTE O – COMMITMENTS AND CONTINGENCIES

The Pastoral Center has signed as a guarantor on a loan with a financial institution for the building of Las Cruces Catholic Middle School. The outstanding balance of the loan was \$207,348 and \$256,265 as of June 30, 2021 and 2020, respectively. Las Cruces Catholic School has made all payments to date. The loan has a maturity date of October 30, 2024. The loan is secured by real estate. The school has pledged a residence to the Pastoral Center as collateral should the Pastoral Center have to take over payments of the loan. The residence was originally estimated to be worth approximately \$200,000.

The Pastoral Center has guaranteed a \$125,000 line of credit with a financial institution for Las Cruces Catholic School, Inc. There was no outstanding balance on the line of credit as of June 30, 2021 and 2020. Las Cruces Catholic School has made all payments to date. The line of credit matures October 28, 2021.

The Pastoral Center makes retirement contributions to several religious orders who have priests active within the diocese. Payments range from \$2,500 to \$5,000 annually per priest as long as they remain active within the diocese. During the years ended June 30, 2021 and 2020, the Pastoral Center provided support for 9 and 30 priests, respectively, with total payments of approximately \$25,000 and \$56,000 per year, respectively.

The Pastoral Center is involved in several legal proceedings alleging misconduct committed by former priests who were formerly active within the diocese. Management of the Pastoral Center is working closely with legal counsel and insurance carriers regarding these matters. As some claims are in the early stage of litigation, legal counsel is unable to express an opinion as to the actual value of the claims. However, management and legal counsel estimate the range of net settlement costs to be between \$300,000 and \$500,000. The Pastoral Center has accrued the low end of the range since management is unable to determine a specific amount within the range. Management is working with insurance carriers to determine available coverage for the pending claims.