
The Roman Catholic Diocese of Las Cruces Pastoral Center

*Financial Statements
and
Independent Auditor's Report
June 30, 2022 and 2021*

redw
Advisors & CPAs

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

Opinion

We have audited the financial statements of The Roman Catholic Diocese of Las Cruces Pastoral Center (a non-profit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Roman Catholic Diocese of Las Cruces Pastoral Center's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Roman Catholic Diocese of Las Cruces Pastoral Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Roman Catholic Diocese of Las Cruces Pastoral Center's ability to continue as a going concern for a reasonable period of time.

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

REDW LLC

Phoenix, Arizona
February 17, 2023

Financial Statements

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

	<u>2022</u>	<u>Restated 2021</u>
Current assets		
Cash and cash equivalents	\$ 10,662,659	\$ 6,794,003
Investments held in trust	3,988,319	4,996,758
Related party receivables, net	679,485	616,567
Pledges receivable, net	179,856	167,443
Assets held for sale	-	501,568
Other current assets	49,093	43,673
Notes receivable held in trust, current portion	35,539	197,593
Total current assets	<u>15,594,951</u>	<u>13,317,605</u>
Property and equipment, net	<u>1,093,892</u>	<u>1,258,240</u>
Other assets		
Investment in captives	513,050	469,695
Notes receivable held in trust, net of current portion	966,470	894,224
Total other assets	<u>1,479,520</u>	<u>1,363,919</u>
Total assets	<u>\$ 18,168,363</u>	<u>\$ 15,939,764</u>
Current liabilities		
Accounts payable and accrued expenses	\$ 335,456	\$ 162,914
United in Ministry rebates payable	15,319	46
Funds held in trust	989,631	403,952
Self-insurance reserve and accrued claims	452,685	352,685
Current portion of long-term debt	13,259	43,078
Total current liabilities	<u>1,806,350</u>	<u>962,675</u>
Long-term liabilities		
Parish deposits held in trust	9,887,256	9,891,842
Long-term debt, less current portion	30,744	17,262
Total long-term liabilities	<u>9,918,000</u>	<u>9,909,104</u>
Total liabilities	<u>11,724,350</u>	<u>10,871,779</u>
Net assets		
Net assets without donor restrictions	6,063,016	4,690,874
Net assets with donor restrictions	380,997	377,111
Total net assets	<u>6,444,013</u>	<u>5,067,985</u>
Total liabilities and net assets	<u>\$ 18,168,363</u>	<u>\$ 15,939,764</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Parish assessments	\$ 1,456,043	\$ -	\$ 1,456,043
Insurance premium revenues	1,703,848	-	1,703,848
United in Ministry pledges	1,479,814	-	1,479,814
Contributions and bequests	1,365,218	37,495	1,402,713
Investment income (loss)	(327,004)	-	(327,004)
Grants	-	245,049	245,049
Administrative service fees	146,034	-	146,034
Other	204,498	-	204,498
Net assets released from restrictions	<u>278,658</u>	<u>(278,658)</u>	<u>-</u>
Total revenue and support	<u>6,307,109</u>	<u>3,886</u>	<u>6,310,995</u>
Expenses			
Program services			
Pastoral support services	847,213	-	847,213
Evangelization and community outreach	763,304	-	763,304
Parish administrative support	<u>368,124</u>	<u>-</u>	<u>368,124</u>
Total program services expense	<u>1,978,641</u>	<u>-</u>	<u>1,978,641</u>
Support services			
General and administrative	3,371,635	-	3,371,635
Fundraising	<u>182,570</u>	<u>-</u>	<u>182,570</u>
Total support services expense	<u>3,554,205</u>	<u>-</u>	<u>3,554,205</u>
Total expenses	<u>5,532,846</u>	<u>-</u>	<u>5,532,846</u>
Increase in net assets before gain on sale of property	774,263	3,886	778,149
Gain on sale of property	<u>597,879</u>	<u>-</u>	<u>597,879</u>
Increase in net assets	1,372,142	3,886	1,376,028
Net assets at June 30, 2021, as restated	<u>4,690,874</u>	<u>377,111</u>	<u>5,067,985</u>
Net assets at June 30, 2022	<u>\$ 6,063,016</u>	<u>\$ 380,997</u>	<u>\$ 6,444,013</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, 2021

	Restated Without Donor Restrictions	With Donor Restrictions	Restated 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	463,599	(463,599)	-
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	303,403	-	303,403
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	64,855	-	64,855
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 gain on sale of property	1,099,974	145,368	1,245,342
Gain on sale of property	74,436	-	74,436
Increase in net assets	1,174,410	145,368	1,319,778
Net assets at June 30, 2020, as restated	<u>3,516,464</u>	<u>231,743</u>	<u>3,748,207</u>
Net assets at June 30, 2021, as restated	<u>\$ 4,690,874</u>	<u>\$ 377,111</u>	<u>\$ 5,067,985</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, 2022

	Program Services				Support Services		
	Pastoral Support Services	Evangelization and Outreach	Parish Administrative Support	Total	General and Administrative	Fundraising	Total
Expenses							
Salaries and benefits	\$ 420,107	\$ 88,518	\$ 169,382	\$ 678,007	\$ 301,061	\$ 107,852	\$ 408,913
Occupancy costs	114,333	12,611	35,855	162,799	68,840	37,099	105,939
Travel and professional development	36,229	54,421	3,977	94,627	5,477	7,498	12,975
Professional services	8,151	4,445	60,136	72,732	268,726	11,541	280,267
Support and grants	84,007	537,645	75,606	697,258	134,411	8,401	142,812
Events	8,126	61,535	619	70,280	3,593	9,227	12,820
Insurance premiums and claims	-	-	-	-	1,895,641	-	1,895,641
Bad debt and interest	-	-	-	-	515,050	-	515,050
Depreciation	-	-	-	-	65,141	-	65,141
Other	176,260	4,129	22,549	202,938	113,695	952	114,647
Total expenses	<u>\$ 847,213</u>	<u>\$ 763,304</u>	<u>\$ 368,124</u>	<u>\$ 1,978,641</u>	<u>\$ 3,371,635</u>	<u>\$ 182,570</u>	<u>\$ 3,554,205</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	<u>\$ 743,889</u>	<u>\$ 455,846</u>	<u>\$ 303,403</u>	<u>\$ 1,503,138</u>	<u>\$ 2,711,329</u>	<u>\$ 64,855</u>	<u>\$ 2,776,184</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,

	2022	Restated 2021
Cash flows from operating activities		
Change in net assets	\$ 1,376,028	\$ 1,319,778
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	65,141	74,242
Bad debt expense	442,975	74,646
Interest from parish deposits held in trust	41,738	49,820
Unrealized loss (gain)	528,384	(245,414)
Gain on sale of property	(597,879)	(74,436)
Recognition of the Paycheck Protection Program loan grant revenue	-	(255,772)
Changes in operating assets and liabilities		
Related party receivables	(403,502)	25,804
Pledges receivable	(12,413)	13,301
Other assets	(5,420)	910
Deposits in captive insurance	(43,355)	(62,751)
Accounts payable and accrued expenses	172,542	43,099
United in ministry rebates payable	15,273	(173,640)
Self-insurance reserve and accrued claims	100,000	-
Funds held in trust	585,679	184,677
Net cash provided by operating activities	2,265,191	974,264
Cash flows from investing activities		
Fixed asset purchases	(134,420)	-
Payments received on notes receivable held in trust	179,463	747,704
Additional notes receivable held in trust issued	(192,046)	(59,371)
Investment purchases	(147,321)	(375,808)
Proceeds from sale of investments	627,376	1,312,307
Proceeds from sale of property	1,333,074	416,151
Net cash provided by investing activities	1,666,126	2,040,983
Cash flows from financing activities		
Increase in parish deposits held in trust	1,553,050	537,305
Withdrawals from parish deposits held in trust	(1,599,374)	(482,202)
Repayment of notes payable	(16,337)	(15,058)
Net cash (used in) provided by financing activities	(62,661)	40,045
Net increase in cash and cash equivalents	3,868,656	3,055,292
Cash and cash equivalents at beginning of the year	6,794,003	3,738,711
Cash and cash equivalents at end of year	\$ 10,662,659	\$ 6,794,003
Supplemental cash flow information and noncash investing/financing activities		
Interest paid	\$ 41,738	\$ 49,820
Transfer of property and equipment to assets held for sale	\$ 233,627	\$ 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, 2022 and 2021

1) Organization and Summary of Accounting Policies

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

Organization

The Roman Catholic Diocese of Las Cruces Pastoral Center (the “Pastoral Center”) is a not-for-profit organization 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 statements of the Pastoral Center do not include a complete presentation for all Catholic entities located within the boundaries of the Pastoral Center. Catholic organizations located within the geographic boundary of the Pastoral Center operate under the canonical authority of the Bishop of Las Cruces but are separate not-for-profit organizations under the laws of the State of New Mexico. Daily operations of these entities are controlled and supervised by local pastors and administrators.

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

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 related 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 statements of financial position.

The Roman Catholic Diocese of Las Cruces Pastoral Center
Notes to Financial Statements
June 30, 2022 and 2021

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) and accordingly reflect all significant receivables, payables, and other liabilities. The Financial Accounting Standards Board (FASB) establishes GAAP, which are contained in the Accounting Standards Codification (ASC).

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.

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 statements of activities and changes in net assets as net assets released from donor restrictions.

Internally Designated Net Assets

At June 30, 2022 and 2021, unrestricted net assets in the amount of approximately \$146,000 and \$111,000, 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 his discretion, later use these net assets for other purposes. Therefore, internally designated net assets are included with net assets without donor restrictions on the statements of financial position.

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.

The Roman Catholic Diocese of Las Cruces Pastoral Center
Notes to Financial Statements
June 30, 2022 and 2021

Actual results could differ from those estimates. Significant estimates include the estimate for claims payable, the allowance for doubtful accounts, fair value of investments and fair value of the investment in captives.

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.

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 (FDIC). As of June 30, 2022 and 2021, and at various times during the year, the Pastoral Center maintained cash balances at financial institutions in excess of the federally insured limits. Given the economic environment and risks in the banking industry, there is risk that these deposits may not be readily available or covered by insurance. As of June 30, 2022 and 2021, the Pastoral Center has not experienced any losses in such accounts and believes that it is not exposed to significant credit risk on its cash and cash equivalents.

Related Party Receivables

Related party receivable are presented at face value, net of allowances. 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 related party receivables approximates fair value when the terms and lengths of the agreements are considered.

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.

The Roman Catholic Diocese of Las Cruces Pastoral Center
Notes to Financial Statements
June 30, 2022 and 2021

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 statements 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 statements of activities and changes in net assets.

Property and Equipment

Property 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.

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.

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.

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.

Income Taxes

The Pastoral Center is a not-for-profit organization 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 Roman Catholic Diocese of Las Cruces Pastoral Center

Notes to Financial Statements

June 30, 2022 and 2021

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.

Reclassifications

Certain reclassifications were made to 2021 balances to conform to the 2022 presentation.

Revenue Recognition

Revenue is recognized in accordance with (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). Below are the major revenue sources of the Pastoral Center.

Parish Assessments

The Pastoral Center provides a variety of services per written agreement to parishes and other church-related organizations for an assessment amount which is determined by the Pastoral Center based on the estimated cost of providing such services.

United in Ministry Pledges

The United in Ministry (UIM) pledge is an annual campaign conducted on a calendar year basis. Each parish receives a UIM pledge goal at the beginning of every calendar year where they are required to pledge a certain amount of contributions to the Pastoral Center. At the end of each fiscal year every parish that has not met their pledge goal the Pastoral Center will have a UIM receivable and each parish that has exceed their pledge goal will have UIM rebate payable from the Pastoral Center.

Contributions and Bequests

Contributions received are recorded with or without donor restrictions, depending on the existence and/or nature or any donor restrictions.

Insurance Premiums

The Pastoral Center provides workers' compensation and general insurance coverage to the Parishes, with premiums recognized ratably over the period of coverage. Total insurance premiums are recorded in the accompanying statement of activities and change in net assets.

The associated claims expense, which represents the estimated cost of settling claims, the cost of re-insurance and related administrative costs are included in general expenses in accompanying statement of functional expenses.

The Roman Catholic Diocese of Las Cruces Pastoral Center
Notes to Financial Statements
June 30, 2022 and 2021

Subsequent Events

Subsequent events were evaluated for recognition or disclosure in these financial statements through February 17, 2023, the date which the financial statements were available to be issued.

2) 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, 2022 and 2021, the interest rate paid on parish deposits held in trust was 0.5% and the interest rate charged on notes receivable issued ranged from 3.0% - 6.0%. For the year ended June 30, 2022 and 2021, deposit accounts incurred a total of \$41,738 and \$49,820, respectively, in interest and loan accounts earned a total of \$76,324 and \$86,852, 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, 2022 and 2021, was \$450,593 and \$608,686, respectively, and was eliminated as an interfund transaction.

The Roman Catholic Diocese of Las Cruces Pastoral Center
Notes to Financial Statements
June 30, 2022 and 2021

3) Accounts and Pledges Receivable

Accounts receivable at June 30, 2022, consists of:

	Receivable	Allowance for Doubtful Accounts	Net Receivable
Parish Assessments	\$ 123,601	\$ 26,698	\$ 96,903
Property & Liability Premiums	274,625	181,341	93,284
Medical Insurance Premiums	398,484	247,635	150,849
Due from Foundation	338,449	-	338,449
	<u>\$ 1,135,159</u>	<u>\$ 455,674</u>	<u>\$ 679,485</u>
United in Ministry Pledges	<u>\$ 179,856</u>	<u>\$ -</u>	<u>\$ 179,856</u>

Accounts receivable at June 30, 2021, consists of:

	Receivable	Allowance for Doubtful Accounts	Net Receivable
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	201,821	-	201,821
	<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>

4) 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, 2022 and 2021.

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, 2022 and 2021:

2022	Fair Value	Level 1	Level 2	Level 3
Mutual funds	\$ 2,125,745	\$ 2,125,745	\$ -	\$ -
Certificates of deposit	252,267	-	252,267	-
U.S. governmental securities	295,861	-	295,861	-
Corporate bonds	188,965	-	188,965	-
Common stock	<u>1,125,481</u>	<u>1,125,481</u>	-	-
Total investments	<u>\$ 3,988,319</u>	<u>\$ 3,251,226</u>	<u>\$ 737,093</u>	<u>\$ -</u>

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>

5) Property and Equipment

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

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 1,146,324	\$ 1,361,513
Vehicles and equipment	192,616	124,133
Furniture and fixtures	286,620	255,378
Water rights	<u>15,070</u>	<u>15,070</u>
Total property and equipment	1,640,630	1,756,094
Less accumulated depreciation	(971,804)	(967,920)
Land	<u>425,066</u>	<u>470,066</u>
Total property and equipment, net	<u>\$ 1,093,892</u>	<u>\$ 1,258,240</u>

Depreciation expense for the year ended June 30, 2022 and 2021, was \$65,141 and \$74,242, respectively.

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During the prior 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. There were no assets included in assets held for sale on the accompanying statement of financial position as of June 30, 2022.

6) 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, 2022 and 2021, the Pastoral Center paid \$314,520 and \$236,593, 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, 2022 and 2021, the Pastoral Center paid \$351,051 and \$499,811, 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, 2022 and 2021, the company had reinsurance contracts that do not transfer risk, and therefore are being reported in accordance with ASC 340-30. At June 30, 2022 and 2021, the Pastoral Center had \$445,216 and \$407,476, respectively, related to BPIC and \$67,834 and \$62,219, 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. As of June 30, 2022 and 2021, the reserve was approximately \$153,000 and \$53,000, respectively.

7) Letter of Credit

At June 30, 2022 and 2021, 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, 2022, which was renewed subsequent to year-end through August 2023. 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. There was no balance outstanding as of June 30, 2022 and 2021.

8) Long-Term Debt

	2022	2021
Note payable for a vehicle loan, payable in 60 monthly installments of \$169 at an interest rate of 1.9% with final installment due July 2022, secured by vehicle.	\$ 168	\$ 4,156
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.	4,670	9,339
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.	6,550	10,342
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.	6,784	10,711
Note payable to an individual for real estate repairs, there are no stated repayment terms and the loan is unsecured.	25,831	25,792
Total long-term debt	44,003	60,340
Less current portion	(13,259)	(43,078)
Long-term debt, less current portion	\$ 30,744	\$ 17,262

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Future maturities of notes payable are as follows at June 30, 2022:

2023	\$	13,259
2024		4,913
2025		-
2026		-
2027		-
Thereafter		25,831
Total	\$	<u>44,003</u>

9) Defined Benefit Plan – Priest Retirement Plan

The Pastoral Center has served 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 and contributed directly to the Priest Retirement Plan. The Pastoral Center does not contribute to the Priest Retirement Plan.

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Historically, the Pastoral Center has recognized the unfunded status of its post-retirement defined benefit plan in the statement of financial position; however, due to the Pastoral Center not having a legal obligation to fund the Priest Retirement Plan, the June 30, 2021, financial statements were restated to correct this misstatement as summarized below:

Statement of Financial Position	2021 As Previously Reported	Adjustment	2021 Restated
Net priests' pension asset	\$ 8,097	\$ (8,097)	\$ -
Total assets	\$ 15,947,861	\$ (8,097)	\$ 15,939,764
Net assets without donor restrictions	\$ 4,698,971	\$ (8,097)	\$ 4,690,874
Total net assets	\$ 5,076,082	\$ (8,097)	\$ 5,067,985

Statement of Activities and Changes in Net Assets (Without Donor Restrictions)	2021 As Previously Reported	Adjustment	2021 Restated
Post-retirement changes other than net periodic post-retirement benefit costs	\$ 707,236	\$ (707,236)	\$ -
Increase in net assets, without donor restrictions	\$ 1,881,646	\$ (707,236)	\$ 1,174,410
Net assets at June 30, 2020, without donor restrictions	\$ 2,817,325	\$ 699,139	\$ 3,516,464
Net assets at June 30, 2021, without donor restrictions	\$ 4,698,971	\$ (8,097)	\$ 4,690,874

10) 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 \$6,115 and \$4,577 for the year ended June 30, 2022 and 2021, respectively, which are included in salaries and benefits in the accompanying statement of functional expenses.

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11) Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Catholic Home Missions	\$ 50,807	\$ 50,807
Darr Estate Funds	48,265	48,265
Koch Grants	48,257	32,225
Project Oak Tree	42,879	72,879
Mission Coop Funds for Seminarian Education	31,359	31,359
Seminarian Special Collections	30,232	21,066
Prison Ministry	29,365	29,365
San Juan Diego Institute	25,124	25,124
Catholic Extension Seminarian Education	22,153	-
Bishop’s Charity Fund	11,722	8,397
Catholic Extension Lending Library Grant	10,669	10,669
Bishop Installation Funds	9,557	9,557
Virtual Learning Community Faith Formation Scholarship	8,210	-
Turnball Grant	4,608	4,608
Youth Ministry	4,000	4,000
Mariachi Mass	3,215	3,215
Hispanic Music Conference	575	575
Catholic Extension Cemetery Grant	-	10,000
Raskob Grant for Seminarian Education	-	15,000
Total net assets with donor restrictions	<u>\$ 380,997</u>	<u>\$ 377,111</u>

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12) 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 years ended June 30:

	<u>2022</u>	<u>2021</u>
Catholic Home Missions	\$ 110,134	\$ 36,848
Archdiocese of Denver Scholarships	39,879	-
Archdiocese of Miami Seminarian Scholarships	35,468	58,600
Project Oak Tree	30,000	-
Seminarian Special Collection	15,761	51,889
Raskob Grant for Seminarian Education	15,000	-
Catholic Extension Seminarian Education Grants	12,847	35,000
Catholic Extension Cemetery Grant	10,000	-
Koch Grants	9,569	15,620
Finance Activities - DFMC Conference	-	1,500
Mission Textbook Fund	-	8,370
PPP Loan	-	255,772
Total net assets released from restrictions	<u>\$ 278,658</u>	<u>\$ 463,599</u>

13) Liquidity and Availability of Financial Assets

The following table reflects the Pastoral Center's financial assets as of June 30, 2022 and 2021. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 10,662,659	\$ 6,794,003
Accounts receivable	679,485	616,567
Pledges receivable	179,856	167,443
Investments held in trust	<u>3,988,319</u>	<u>4,996,758</u>
Financial assets at year-end	15,510,319	12,574,771
Less amounts unavailable for general expenditure within one year		
Funds held in trust	989,631	403,952
Investments held in trust	3,988,319	4,996,758
Cash equivalents held in trust	5,898,937	4,895,084
Purpose restrictions	380,997	377,111
United in Ministry rebates payable	<u>15,319</u>	<u>46</u>
Financial assets available for general expenditure within one year	<u>\$ 4,237,116</u>	<u>\$ 1,901,820</u>

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14) Commitments and Contingencies

In prior years, the Pastoral Center was guarantor on a loan with a financial institution for the building of Las Cruces Catholic Middle School. In May of 2022, the balance was paid in full.

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, 2022. Las Cruces Catholic School has made all payments to date and the line of credit matures October 28, 2023.

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. Effective for year-end June 30, 2022, the Pastoral Center began to provide contributions for foreign priests as long as they are active within the Diocese of Las Cruces. During the years ended June 30, 2022 and 2021, the Pastoral Center provided support for 28 and 9 priests, respectively, with total payments of approximately \$109,000 and \$25,000 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.