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# **The Roman Catholic Diocese of Las Cruces Pastoral Center**

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*Financial Statements  
and  
Independent Auditor's Report  
June 30, 2019*

**REDW**<sup>LLC</sup>  
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 nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Accountant's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Basis for Qualified Opinion**

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 I). 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 discussed 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

REDW LLC

Albuquerque, New Mexico  
February 14, 2020

## Financial Statements

**The Roman Catholic Diocese of Las Cruces Pastoral Center**  
**Statement of Financial Position**  
**June 30, 2019**

<b>Current Assets</b>	
Cash and cash equivalents	\$ 2,707,787
Investments held in trust	5,488,142
Pledges receivable, net	238,819
Accounts receivable, net	334,889
Assets held for sale	43,428
Other current assets	42,770
Notes receivable held in trust, current portion	59,374
Total current assets	<u>8,915,209</u>
Property and equipment, net	<u>2,211,932</u>
<b>Other Assets</b>	
Notes receivable held in trust, net of current portion	<u>1,897,443</u>
Total other assets	1,897,443
Total assets	<u><u>\$ 13,024,584</u></u>
<b>Current Liabilities</b>	
Accounts payable and accrued expenses	\$ 149,720
United in Ministry rebates payable	311,823
Funds held in trust	28,359
Self-insurance reserve and accrued claims	352,685
Current portion of long-term debt	44,040
Total current liabilities	<u>886,627</u>
<b>Long-Term Liabilities</b>	
Parish deposits held in trust	9,617,131
Long-term debt, less current portion	47,618
Accrued priests' pension liability	350,023
Total long-term liabilities	<u>10,014,772</u>
Total liabilities	<u>10,901,399</u>
<b>Net Assets</b>	
Net assets without donor restrictions	1,920,592
Net assets with donor restrictions	202,593
Total net assets	<u>2,123,185</u>
Total liabilities and net assets	<u><u>\$ 13,024,584</u></u>

See accompanying notes and independent auditor's report.

**The Roman Catholic Diocese of Las Cruces Pastoral Center**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue and Support</b>			
Parish assessments	\$ 1,395,115	\$ -	\$ 1,395,115
Insurance premium revenues	1,425,558	-	1,425,558
United in Ministry pledges	1,452,372	-	1,452,372
Contributions and bequests	114,846	198,012	312,858
Investment income	363,658	-	363,658
Grants	-	285,186	285,186
Administrative service fees	164,232	-	164,232
Gain on sale of property	44,852	-	44,852
Recovery of bad debt	406,984	-	406,984
Other	80,507	-	80,507
Net assets released from restrictions	392,121	(392,121)	-
<b>Total revenue and support</b>	<u>5,840,245</u>	<u>91,077</u>	<u>5,931,322</u>
<b>Expenses</b>			
<b>Program services</b>			
Pastoral support services	1,025,023	-	1,025,023
Evangelization and community outreach	1,370,400	-	1,370,400
Parish administrative support	317,165	-	317,165
<b>Total program services expense</b>	<u>2,712,588</u>	<u>-</u>	<u>2,712,588</u>
<b>Support Services</b>			
General and administrative	3,401,980	-	3,401,980
Fundraising	270,466	-	270,466
<b>Total support services expense</b>	<u>3,672,446</u>	<u>-</u>	<u>3,672,446</u>
<b>Total expenses</b>	<u>6,385,034</u>	<u>-</u>	<u>6,385,034</u>
Increase (decrease) in net assets before change in pension liability	(544,789)	91,077	(453,712)
Post-retirement changes other than net periodic post-retirement benefit cost	(97,259)	-	(97,259)
Increase (decrease) in net assets	(642,048)	91,077	(550,971)
Net assets at June 30, 2018	2,562,640	111,516	2,674,156
<b>Net assets at June 30, 2019</b>	<u>\$ 1,920,592</u>	<u>\$ 202,593</u>	<u>\$ 2,123,185</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, 2019**

	Program Services				Support Services		
	Pastoral Support Services	Evangelization and Outreach	Parish Administrative Support	Total	General and Administrative	Fundraising	Total
Expenses							
Salaries and benefits	\$ 281,622	\$ 580,471	\$ 108,299	\$ 970,392	\$ 444,053	\$ 145,693	\$ 589,746
Clergy support	220,653	343,020	507	564,180	283	3,479	3,762
Professional development	5,419	32,997	1,967	40,383	5,485	3,057	8,542
Property maintenance	8,099	10,065	(3,956)	14,208	157,688	2,057	159,745
Travel and entertainment	21,916	88,069	3,699	113,684	21,685	7,564	29,249
Office supplies	4,753	7,555	2,824	15,132	69,890	4,086	73,976
Parish support	221,278	51,187	110,646	383,111	110,645	-	110,645
Professional fees	208,672	66,015	81,958	356,645	132,773	17,037	149,810
Events and programs	38,450	187,191	4,280	229,921	4,585	3,212	7,797
Insurance premiums and claims	-	-	-	-	1,821,361	-	1,821,361
Bad debt and interest	-	-	-	-	525,314	-	525,314
Depreciation	-	-	-	-	94,794	-	94,794
Other	14,161	3,830	6,941	24,932	13,424	84,281	97,705
Total expenses	<u>\$ 1,025,023</u>	<u>\$ 1,370,400</u>	<u>\$ 317,165</u>	<u>\$ 2,712,588</u>	<u>\$ 3,401,980</u>	<u>\$ 270,466</u>	<u>\$ 3,672,446</u>

See accompanying notes and independent auditor's report.

**The Roman Catholic Diocese of Las Cruces Pastoral Center**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2019**

Cash flows from operating activities	
Change in net assets	\$ (550,971)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation	94,794
Change in pension liability	97,259
Recovery of bad debt	(406,984)
Bad debt expense	338,552
Unrealized (gains) and losses	(87,003)
(Gain) loss on sale of property	(44,852)
(Increase) decrease in assets and Increase (decrease) in liabilities	
Accounts receivable	(86,958)
Pledges receivable	2,204
Other assets	54,769
Accounts payable and accrued expenses	(11,915)
Deferred revenue	(99,252)
United in Ministry rebates payable	64,506
Self-insurance reserve	280,413
Funds held in trust	<u>(217,853)</u>
Net cash provided (used) by operating activities	<u>(573,291)</u>
Cash flows from investing activities	
Fixed asset purchases	(68,072)
Payments received on notes receivable held in trust	221,521
Additional notes receivable held in trust issued	(436,539)
(Increase) decrease in loans to parishes	-
Investment purchases	(2,440,765)
Proceeds from sale of investments	2,721,160
Proceeds from sale of property	<u>49,262</u>
Net cash provided (used) by investing activities	<u>46,567</u>
Cash flows from financing activities	
Increase in parish deposits held in trust	852,135
Withdrawals from parish deposits held in trust	(865,933)
Repayment of notes payable	<u>(18,612)</u>
Net cash provided (used) by financing activities	<u>(32,410)</u>
Net increase (decrease) in cash and cash equivalents	(559,134)
Cash and cash equivalents at beginning of the year	<u>3,266,921</u>
Cash and cash equivalents at end of year	<u>\$ 2,707,787</u>
Supplemental Cash Flow Information	
Cash paid for interest	<u>\$ 186,762</u>

See accompanying notes and independent auditor's report.

# The Roman Catholic Diocese of Las Cruces Pastoral Center

Notes To Financial Statements

June 30, 2019

## 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 has the following programs:

#### **a. Pastoral Support**

The Pastoral Center offers funding and employs personnel with the primary objective of providing resources and spiritual support to Roman Catholics within the Pastoral Center as well as to those non-Catholics in need of such services.

#### **b. Evangelization & Community Outreach**

The Pastoral Center offers funding and employs personnel with the primary objective of providing programming and resources related to evangelization, spiritual discernment and social justice activities throughout the Pastoral Center.

#### **c. Parish Administrative Support Services**

The Pastoral Center offers funding and employs personnel with the primary objective of aiding Catholic parishes and schools within the Pastoral Center with various administrative functions related to the management of temporal goods and church employees.

# The Roman Catholic Diocese of Las Cruces Pastoral Center

Notes To Financial Statements

June 30, 2019

## 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). The Pastoral Center implemented the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958)*, in the current year. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class referred to as net assets with donor restrictions.
- The unrestricted net asset class has been renamed to net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability.
- The financial statements include a statement of functional expenses.

## 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.

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

## 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 Roman Catholic Diocese of Las Cruces Pastoral Center

Notes To Financial Statements

June 30, 2019

## 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, 2019, the Pastoral Center has not experienced any losses in such accounts. Uninsured cash balance at June 30, 2019 totaled \$947,097.

## 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 and the estimate for claims payable.

## 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.

## 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 other parishes within the Diocese of Las Cruces for various construction projects on behalf of parishes with deposits held by the Pastoral Center.

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 statements 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 combined statements of activities and changes in net assets.

# The Roman Catholic Diocese of Las Cruces Pastoral Center

Notes To Financial Statements

June 30, 2019

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 combined statements 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.

## 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.

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.

# The Roman Catholic Diocese of Las Cruces Pastoral Center

Notes To Financial Statements

June 30, 2019

## 15. Subsequent Events

Subsequent events through February 14, 2020, the date which the financial statements were available to be issued, were evaluated for recognition or disclosure in the accompanying financial statements.

## 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, 2019, the interest rate paid on parish deposits held in trust ranged from 1.0 percent to 2.5 percent and the interest rate charged on notes receivable issued ranged from 3 percent to 7 percent. For the year ended June 30, 2019, deposit accounts incurred a total of \$176,474 in interest and loan accounts earned a total of \$85,622 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, 2019, was \$900,170 and was eliminated as an interfund transaction.

## NOTE C – ACCOUNTS AND PLEDGES RECEIVABLE

Accounts receivable at June 30, 2019, consists of:

	Receivable	Allowance for Doubtful Accounts	Net Receivable
Parish Assessments	\$ 507,020	\$ 373,151	\$ 133,869
Grants Receivable	77,500	-	77,500
Property & Liability Premiums	1,147,338	1,143,971	3,367
Medical Insurance Premiums	436,186	342,175	94,011
Other	26,142	-	26,142
	<u>\$ 2,194,186</u>	<u>\$ 1,859,297</u>	<u>\$ 334,889</u>
United in Ministry Pledges	\$ 317,302	\$ 78,483	\$ 238,819

# The Roman Catholic Diocese of Las Cruces Pastoral Center

Notes To Financial Statements

June 30, 2019

## NOTE D – 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.

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 ratings 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 and liabilities measured at fair value:

- Cash and cash equivalents, accounts, pledges receivables and notes receivables – carrying value approximates fair value when the terms and lengths of the agreements are considered.
- Investments held in trust are included at fair value using the following methodologies:
  - 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.

# The Roman Catholic Diocese of Las Cruces Pastoral Center

## Notes To Financial Statements

June 30, 2019

- Certificates of deposit – Valued using matrix pricing techniques maintained by various pricing vendors.
- Notes receivable held in trust – carrying value approximates fair value when the terms and lengths of the agreements are considered.
- Accounts payable, notes payable and parish deposits held in trust – carrying value approximates fair value when the terms and lengths of the agreements are considered.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the 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.

Fair value of the Pastoral Center’s investments measured on a recurring basis by class of asset and by level were as follows at June 30, 2019:

	Fair Value	Level 1	Level 2	Level 3
Mutual funds	\$ 1,871,625	\$ 1,871,625	\$ -	\$ -
Certificates of deposit	1,704,883	-	1,704,883	-
U.S. governmental securities	441,466	-	441,466	-
Corporate bonds	392,745	-	392,745	-
Common stock	1,077,423	1,077,423	-	-
Total investments	\$ 5,488,142	\$ 2,949,048	\$ 2,539,094	\$ -

### NOTE E – PROPERTY AND EQUIPMENT

A summary of property and equipment, at cost, at June 30, 2019, follows:

Buildings and improvements	\$ 2,287,852
Vehicles and equipment	142,801
Furniture and fixtures	241,166
Water rights	15,070
Total Property and equipment	2,686,889
Less accumulated depreciation	(1,045,492)
Land	570,535
Total property and equipment	\$ 2,211,932

# The Roman Catholic Diocese of Las Cruces Pastoral Center

Notes To Financial Statements

June 30, 2019

Depreciation expense for the year ended June 30, 2019, was \$94,794.

## NOTE F – 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, 2019.

## NOTE G – LETTER OF CREDIT

At June 30, 2019, 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, 2019. 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. The letter was renewed subsequent to year-end through August 2020.

## NOTE H – NOTES PAYABLE

Long-term debt consists of the following as of June 30, 2019:

Note payable to an individual for real estate repairs, there are no stated repayment terms and the loan is unsecured.	\$ 26,514
Note payable for a vehicle loan, payable in 60 monthly installments of \$163 at an interest rate of 4.24% with final installment due February 2020, secured by vehicle.	1,282
Note payable for a vehicle loan, payable in 60 monthly installments of \$156 at an interest rate of 4.24% with final installment due February 2020, secured by vehicle.	1,225
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.	18,677
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.	6,064
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.	18,616

# The Roman Catholic Diocese of Las Cruces Pastoral Center

## Notes To Financial Statements

June 30, 2019

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.

	<u>19,280</u>
Total notes payable	91,658
Less: current portion	<u>(44,040)</u>
Long-term portion, notes payable	<u>\$ 47,618</u>

Future maturities of notes payable are as follows at June 30, 2019:

Year Ending June 30	
2020	\$ 44,040
2021	15,117
2022	15,101
2023	13,090
2024	<u>4,310</u>
Total	<u>\$ 91,658</u>

### NOTE I – 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.

# The Roman Catholic Diocese of Las Cruces Pastoral Center

## Notes To Financial Statements

June 30, 2019

The following amounts relate to the Pastoral Center's defined benefit plan as of June 30, 2019:

Benefit obligation at end of year	\$ <u>3,291,213</u>
Change in plan assets:	
Fair value of plan assets at beginning of year	\$ 2,742,314
Contributions from parishes	357,731
Benefits paid	(242,707)
Management and general expenses	(72,959)
Return on plan assets	156,811
Fair value of plan assets end of year	\$ <u>2,941,190</u>
Accrued pension liability at June 30, 2019	\$ 350,023
Accrued pension liability at June 30, 2018	<u>252,764</u>
Accrued benefit cost for the year ended June 30, 2019	<u>\$ 97,259</u>

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

Discount rate on benefit obligation	4.00%
Rate of expected return on plan assets	4.00%
Rate of priests' compensation increase	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 statement of financial position.

Fair value of the plan's investments measured on a recurring basis by class of asset and by level were as follows at June 30, 2019:

	Fair Value	Level 1	Level 2	Level 3
Mutual funds	\$ 405,121	\$ 405,121	\$ -	\$ -
U.S. governmental and sponsored securities	169,596	169,596	-	-
Corporate bonds	163,736	163,736	-	-
Equities	1,958,250	1,958,250	-	-
Total investments	\$ 2,696,703	\$ 2,696,703	\$ -	\$ -

# The Roman Catholic Diocese of Las Cruces Pastoral Center

Notes To Financial Statements

June 30, 2019

## NOTE J – 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 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 \$13,725 for the year ended June 30, 2019, which are included in salaries and benefits in the accompanying statement of functional expenses.

## NOTE K – NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2019, the Pastoral Center’s Net Assets with Donor Restrictions balance consists of the following:

Catholic Extension Lending Library Grant	\$ 10,863
Mariachi Mass	3,215
Bishop Installation Funds	52,540
Turnball Grant	4,608
Retired Priest Support Advertising	1,875
Hispanic Music Conference	575
Bishop’s Charity Fund	1,557
Mission Textbook Fund	9,370
Darr Estate Funds	48,265
San Juan Diego Institute	30,684
Project Oak Tree	27,828
Prison Ministry	<u>11,213</u>
Total net assets with donor restrictions	<u>\$ 202,593</u>

# The Roman Catholic Diocese of Las Cruces Pastoral Center

Notes To Financial Statements

June 30, 2019

## NOTE L – NET ASSETS RELEASED FROM RESTRICTIONS

During the year ended June 30, 2019, net assets were released from donor restrictions by incurring expenses satisfying the purpose or time stipulated by donors as follows:

Lending Library Grant	\$ 2,373
Mariachi Mass	100
Propagation of the Faith	3,645
Staff Development	2,295
Seminarian Special Collection	64,447
Project Oak Tree Restricted Contributions	65,474
Catholic Home Mission Grants	155,000
Catholic Extension Grants	<u>98,787</u>
Total net assets released from restrictions	<u>\$ 392,121</u>

## NOTE M – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Pastoral Center's financial assets as of June 30, 2019. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Financial assets	
Cash and cash equivalents	\$ 2,707,787
Accounts receivable	334,889
Pledges receivable	238,819
Investments held in trust	<u>5,488,142</u>
Financial assets at year-end	8,769,637
Less amounts unavailable for general expenditure within one year	
Funds held in trust	28,359
Investments held in trust	5,488,142
Cash equivalents held in trust	457,445
Purpose restrictions	202,593
United in Ministry rebates payable	<u>311,823</u>
Financial assets available for general expenditure within one year	<u>\$ 2,281,275</u>

# **The Roman Catholic Diocese of Las Cruces Pastoral Center**

Notes To Financial Statements

June 30, 2019

## **NOTE N – 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 \$306,163 as of June 30, 2019. 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, 2019. Las Cruces Catholic School has made all payments to date. The line of credit matures October 28, 2020.

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. Currently, the Pastoral Center is providing support for 30 priests with total payments of approximately \$90,000 per year.

The Pastoral Center is involved in several legal proceedings alleging misconduct committed by former priests 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 \$600,000. 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.