

**ST. GABRIEL THE ARCHANGEL  
CATHOLIC COMMUNITY**

McKinney, Texas

Financial Statements

For the Year Ended June 30, 2011

**ST. GABRIEL THE ARCHANGEL CATHOLIC COMMUNITY**

Financial Statements

For the Year Ended June 30, 2011

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INDEPENDENT AUDITORS' REPORT

To the Finance Committee  
St. Gabriel the Archangel Catholic Community  
McKinney, Texas

We have audited the accompanying statement of financial position of St. Gabriel the Archangel Catholic Community as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Church's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Church's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Gabriel the Archangel Catholic Community as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*PSK LLP*

August 24, 2011

**ST. GABRIEL THE ARCHANGEL CATHOLIC COMMUNITY**

## Statement of Financial Position

June 30, 2011

## ASSETS

## Current assets

Cash and cash equivalents	\$ 729,265
Accounts receivable	7,541
Inventory	8,498
Prepaid expenses	<u>6,434</u>

Total current assets	<u>751,738</u>
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## Physical properties

Land	626,770
Buildings and improvements	9,271,082
Furniture and equipment	511,420
Accumulated depreciation	<u>(2,343,661)</u>

Net physical properties	<u>8,065,611</u>
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Total assets	<u>\$ 8,817,349</u>
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## LIABILITIES AND NET ASSETS

## Current liabilities

Accounts payable	\$ 90,409
Accrued expenses	24,376
Deferred revenue	44,187
Current portion of note payable	<u>306,052</u>

Total current liabilities	465,024
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Note payable, net of current portion	<u>183,997</u>
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Total liabilities	<u>649,021</u>
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## Net assets

Unrestricted	
Undesignated	7,473,857
Board designated	<u>592,118</u>

Total unrestricted	8,065,975
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Temporarily restricted	<u>102,353</u>
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Total net assets	<u>8,168,328</u>
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Total liabilities and net assets	<u>\$ 8,817,349</u>
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*The accompanying notes are an integral part of these financial statements.*

**ST. GABRIEL THE ARCHANGEL CATHOLIC COMMUNITY**Statement of Activities  
For the Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Stewardship and contributions	\$ 2,062,441	\$ 376,503	\$ 2,438,944
Youth	68,088	-	68,088
Faith Formation	73,823	-	73,823
Preschool	233,516	-	233,516
Worship	30,347	-	30,347
Outreach	84,742	-	84,742
Fellowship	173,380	-	173,380
Family Life	2,665	-	2,665
Mardi Gras Night	89,553	-	89,553
Miscellaneous	31,412	-	31,412
Net assets released from restrictions	<u>506,675</u>	<u>(506,675)</u>	<u>-</u>
Total revenues	<u>3,356,642</u>	<u>(130,172)</u>	<u>3,226,470</u>
Program expenses:			
Youth	170,054	-	170,054
Faith Formation	185,941	-	185,941
Preschool	193,652	-	193,652
Worship	199,527	-	199,527
Outreach	108,389	-	108,389
Fellowship	114,295	-	114,295
Family Life	954	-	954
Land Trust	<u>35,214</u>	<u>-</u>	<u>35,214</u>
Total program expenses	1,008,026	-	1,008,026
Supporting services:			
General and administrator	<u>1,513,168</u>	<u>-</u>	<u>1,513,168</u>
Total expenses	<u>2,521,194</u>	<u>-</u>	<u>2,521,194</u>
Change in net assets	835,448	(130,172)	705,276
Net assets at beginning of the year	<u>7,230,527</u>	<u>232,525</u>	<u>7,463,052</u>
Net assets at end of the year	<u>\$ 8,065,975</u>	<u>\$ 102,353</u>	<u>\$ 8,168,328</u>

*The accompanying notes are an integral part of these financial statements.*

**ST. GABRIEL THE ARCHANGEL CATHOLIC COMMUNITY**Statement of Cash Flows  
For the Year Ended June 30, 2011

Cash flows from operating activities:	
Change in net assets	\$ 705,276
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:	
Depreciation expense	295,048
Contributions restricted for building costs	(376,503)
Change in assets and liabilities:	
Increase in accounts receivable	(4,849)
Decrease in inventory	75
Increase in prepaid expenses	(3,588)
Increase in accounts payable	38,049
Decrease in accrued expenses	(4,470)
Increase in deferred revenue	<u>13,239</u>
Net cash and cash equivalents provided by operating activities	<u>662,277</u>
Cash flows from investing activities:	
Purchase of physical properties	<u>(3,195)</u>
Cash flows from financing activities:	
Contributions restricted for building costs	376,503
Payments on notes payable	<u>(889,091)</u>
Net cash and cash equivalents used in financing activities	<u>(512,588)</u>
Increase in cash and cash equivalents	146,494
Cash and cash equivalents at beginning of the year	<u>582,771</u>
Cash and cash equivalents at end of the year	<u>\$ 729,265</u>
Supplemental disclosure of cash flow information:	
Cash paid for interest and expensed	<u>\$ 67,607</u>

*The accompanying notes are an integral part of these financial statements.*

**ST. GABRIEL THE ARCHANGEL CATHOLIC COMMUNITY**  
Notes to Financial Statements

## 1 - Historical Background

St. Gabriel the Archangel Catholic Community (the "Church") was established by the Catholic Diocese of Dallas (the "Diocese") in 1996 for the purpose of providing ministry services to Catholics and others in McKinney, Texas, and the surrounding area.

The Church is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code as other than a private foundation.

## 2 - Summary of Significant Accounting Policies

Basis of Accounting - The financial statements of the Church have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when the obligation is incurred.

Reporting Entity - These financial statements include the accounts of: St. Gabriel the Archangel Catholic Community; St. Gabriel the Archangel Land Trust; and St. Gabriel the Archangel School Trust. All significant activity between the entities has been eliminated in these financial statements.

Basis of Presentation - As required by the Not-for-Profit Entities Classification of Net Assets topic of the Financial Accounting Standards Board *Accounting Standards Codification* ("FASB ASC"), the Church reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenue Recognition - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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

Revenues and Support - Revenues and support for the Church are primarily derived from contributions from Church membership.

Donated Assets - Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Services - No amounts have been reflected in the financial statements for donated services. The Church pays for most services requiring specific expertise. A large number of people have contributed significant amounts of time to the activities of the Church without compensation. The financial statements do not reflect the value of those contributed services.

Compensated Absences - Employees of the Church, administrative and ministerial, are entitled to paid vacation depending on length of service and other factors. The Church cannot reasonably estimate the amount of compensation for future absences; accordingly, no liability has been recorded in the accompanying financial statements. The Church's policy is to recognize the cost of compensated absences when paid to employees.

**ST. GABRIEL THE ARCHANGEL CATHOLIC COMMUNITY**  
Notes to Financial Statements

**2 - Summary of Significant Accounting Policies (continued)**

Income Tax Status - The Internal Revenue Service issued a determination letter dated March 25, 1946, stating that all Catholic Church entities listed in the *Official Catholic Directory* are exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Each year since then, the IRS has issued a communication stating that the determination letter is still in effect. St. Gabriel the Archangel Catholic Community, as part of the Catholic Diocese of Dallas, is exempt under this ruling.

Use of Estimates - Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents - For purposes of the financial statements, the Church considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Programs - The Church pursues its objectives through the execution of these major programs:

- Youth - To encourage participation of all youth and young adults in parish life.
- Faith Formation - Religious education and spiritual development programs for parishioners.
- Preschool - Formal classroom programs designed for 3 and 4 year old children.
- Worship - Provide a hospitable atmosphere for increased participation in prayer and worship.
- Outreach - Provide resources and programs to those grieving, marginalized, and/or served through appropriate agencies within McKinney, Texas, the United States and the world.
- Fellowship - To bring parishioners together through social activities to build relationships that enhance Catholic values.
- Family Life - To minister to all parishioners, through all stages of life, by providing support, guidance, and a sense of belonging.
- Land Trust - The Land Trust expends funds for capital improvements and holds the major assets of the Church for the benefit of St. Gabriel parishioners.

Subsequent Events - Subsequent events have been evaluated through August 24, 2011, which is the date the financial statements were available to be issued.

**3 - Physical Properties**

Property and equipment are recorded at cost, if purchased, and fair market value at date of donation, if contributed. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings and improvements	10 - 40 years
Furniture and equipment	5 - 20 years

Depreciation expense for the year ended June 30, 2011 amounted to \$295,048. Maintenance, repairs and minor renewals that do not significantly improve or extend the lives of the representative assets are expensed when incurred. Additions, improvements and major renewals are capitalized.

**ST. GABRIEL THE ARCHANGEL CATHOLIC COMMUNITY**  
Notes to Financial Statements

**4 - Note Payable**

During 2000, the Church entered into a note payable with a lending institution, in the original amount of \$3,000,000. The loan bears interest at a fixed rate of 6.59% through May 2012, at which time the rate will be adjusted, and matures on November 5, 2016. The note requires monthly payments of principal and interest totaling approximately \$27,317 and is secured by real estate. The balance outstanding at June 30, 2011 was \$490,049.

As of June 30, 2011, future maturities are due as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 306,052
2013	183,997

**5 - Operating Leases**

The Church has non-cancelable operating leases for certain office equipment. The following is a schedule by years of minimum rentals under the leases as of June 30, 2011.

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 6,502
2013	4,124
2014	3,780

Rent expense for the year ended June 30, 2011 totaled \$8,879.

**6 - Commitments**

In 2006, the Church entered into an agreement with the Catholic Diocese of Dallas to provide \$305,000 in financial aid to John Paul II High School. The contributions are disbursed in monthly installments of \$5,083. This commitment is recorded in the financial statements when paid. The commitment will be completed September 30, 2011; thus, the Church is scheduled to contribute \$15,250 during the year ending June 30, 2012.

**7 - Retirement Plan**

The Church and its employees participate in the Diocese's 403(b) Retirement Plan for Lay Employees. After one year of employment, eligible employees receive an employer contribution of 3% of annual salary and an employer matching contribution of up to an additional 3% of annual pay. Aggregate employer contributions during the year ended June 30, 2011 were \$15,422.

**8 - Concentration of Credit Risks**

The Church maintains deposits with reputable financial institutions which are occasionally in excess of federally insured limits. The Church has not experienced any losses in these accounts, and management does not believe the Church is exposed to any significant credit risk.

## ST. GABRIEL THE ARCHANGEL CATHOLIC COMMUNITY

### Notes to Financial Statements

#### 9 - Temporarily Restricted Net Assets

The balance of temporarily restricted net assets as of June 30, 2011, relates to certain contributions for which the donor has imposed restrictions. These restrictions require the Church to use such funds for expenses directly related to Church activities that correspond to the donor's wishes. During the year ended June 30, 2011, temporarily restricted net assets in the amount of \$506,675 had been expended in accordance with donor restrictions and have been reclassified to unrestricted net assets. Temporarily restricted net assets consisted of the following at June 30, 2011:

Clearing the Ground	\$ 46,552
Pro Life Ministry	37,729
Mission Trips	7,353
Habitat for Humanity	6,788
Outreach - Disaster Relief	3,079
Other	<u>852</u>
	<u>\$ 102,353</u>

#### 10 - Board Designations

The leadership of St. Gabriel the Archangel Catholic Community has set aside certain unrestricted funds for specific purposes. These funds have not been restricted by the original donor; they are considered board designated. Unrestricted net assets - board designated consisted of the following reserves at June 30, 2011:

Land Trust	\$ 258,362
Men's Club	74,059
Tithing - general and outreach	55,203
Discretionary	50,509
School Trust	44,346
Facilities Maintenance	30,933
Mardi Gras / Texi Gras	14,370
Monument Signage	11,088
Holiday Boutique	10,854
Holy Spirit Prayer Group	9,888
Women's Club	9,672
Gift Shop Ministry	8,452
Other	<u>14,382</u>
	<u>\$ 592,118</u>

#### 11 - Income Taxes

The Church follows the Income Taxes topic of the FASB ASC, which clarifies the accounting for uncertainty in income taxes recognized in the Church's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The topic also provides guidance on derecognition and measurement of a tax position taken or expected to be taken in a tax return. The application of this topic did not have a material effect on the Church for the year ended June 30, 2011.

**ST. GABRIEL THE ARCHANGEL CATHOLIC COMMUNITY**

## Notes to Financial Statements

**11 - Income Taxes (continued)**

The Church is subject to filing a Form 990T tax return in the U.S. federal jurisdiction if there is any unrelated business income. The Church's federal income tax returns for tax years 2007 and beyond remain subject to examination by the Internal Revenue Service.

The Church did not have unrecognized tax benefits as of June 30, 2011 and does not expect this to change significantly over the next twelve months. In connection with the application of the Income Taxes topic, the Church will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of June 30, 2011, the Church has not accrued interest or penalties related to uncertain tax positions.