

**ST. GABRIEL THE ARCHANGEL
CATHOLIC COMMUNITY**

McKinney, Texas

Financial Statements

Years Ended June 30, 2014 and 2013

ST. GABRIEL THE ARCHANGEL CATHOLIC COMMUNITY

Financial Statements

Years Ended June 30, 2014 and 2013

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 8



INDEPENDENT AUDITORS' REPORT

To the Finance Council
of St. Gabriel the Archangel Catholic Community

We have audited the accompanying financial statements of St. Gabriel the Archangel Catholic Community, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider internal control relevant to the Church'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 Church's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Gabriel the Archangel Catholic Community as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PSK LLP

Arlington, Texas
September 15, 2014

ST. GABRIEL THE ARCHANGEL CATHOLIC COMMUNITY

Statements of Financial Position

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,217,252	\$ 1,526,165
Accounts receivable	2,285	6,337
Inventory	-	843
Prepaid expenses	-	19,077
	<u>2,219,537</u>	<u>1,552,422</u>
Physical properties		
Land	626,770	626,770
Buildings and improvements	9,277,402	9,277,402
Furniture and equipment	597,489	584,510
Construction in progress	694,393	217,547
Accumulated depreciation	<u>(3,141,369)</u>	<u>(2,887,013)</u>
Net physical properties	<u>8,054,685</u>	<u>7,819,216</u>
Other assets		
Cash restricted for building costs	-	244,891
Total assets	<u>\$ 10,274,222</u>	<u>\$ 9,616,529</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 188,804	\$ 173,489
Accrued expenses	9,475	11,703
Deferred revenue	<u>18,521</u>	<u>22,830</u>
Total liabilities	<u>216,800</u>	<u>208,022</u>
Net assets		
Unrestricted		
Undesignated	8,221,823	7,813,794
Board designated	<u>1,743,087</u>	<u>1,241,378</u>
Total unrestricted	9,964,910	9,055,172
Temporarily restricted	<u>92,512</u>	<u>353,335</u>
Total net assets	<u>10,057,422</u>	<u>9,408,507</u>
Total liabilities and net assets	<u>\$ 10,274,222</u>	<u>\$ 9,616,529</u>

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

ST. GABRIEL THE ARCHANGEL CATHOLIC COMMUNITY

Statements of Activities
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Change in unrestricted net assets:		
Revenues and other support:		
Stewardship and contributions	\$ 2,208,135	\$ 2,151,264
Youth	79,780	60,777
Faith Formation	63,806	89,728
Preschool	-	237,644
Worship	17,497	21,510
Fellowship	46,678	52,110
Family Life	12,118	6,857
SVdP Gala / Mardi Gras	56,523	70,092
Miscellaneous	99,966	66,158
Loss on disposal of physical properties	(2,859)	(1,633)
Reclassification of net assets	-	(64,045)
Net assets released from restrictions	<u>566,225</u>	<u>187,638</u>
 Total revenues and other support	 <u>3,147,869</u>	 <u>2,878,100</u>
 Program expenses:		
Youth	195,103	155,046
Faith Formation	193,312	219,108
Preschool	-	271,020
Worship	232,226	228,283
Outreach	109,265	96,753
Fellowship	33,878	49,102
Family Life	<u>15,326</u>	<u>9,158</u>
 Total program expenses	 779,110	 1,028,470
 Supporting services:		
General and administration	<u>1,459,021</u>	<u>1,379,624</u>
 Total expenses	 <u>2,238,131</u>	 <u>2,408,094</u>
 Change in unrestricted net assets	 <u>909,738</u>	 <u>470,006</u>
 Change in temporarily restricted net assets:		
Stewardship and contributions	305,402	285,010
Reclassification of net assets	-	64,045
Net assets released from restrictions	<u>(566,225)</u>	<u>(187,638)</u>
 Change in temporarily restricted net assets	 <u>(260,823)</u>	 <u>161,417</u>
 Change in net assets	 648,915	 631,423
 Net assets at beginning of the year	 <u>9,408,507</u>	 <u>8,777,084</u>
 Net assets at end of the year	 <u>\$ 10,057,422</u>	 <u>\$ 9,408,507</u>

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

ST. GABRIEL THE ARCHANGEL CATHOLIC COMMUNITYStatements of Cash Flows
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 648,915	\$ 631,423
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation expense	260,371	270,122
Loss on disposal of physical properties	2,859	1,633
Contributions restricted for building costs	(210,555)	(192,545)
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	4,052	(5,391)
Decrease in inventory	843	2,335
Decrease (increase) in prepaid expenses	19,077	(13,954)
Increase in accounts payable	15,315	79,097
Decrease in accrued expenses	(2,228)	(28,888)
Decrease in deferred revenue	(4,309)	(16,126)
	<u>734,340</u>	<u>727,706</u>
Net cash and cash equivalents provided by operating activities		
Cash flows from investing activities:		
Decrease (increase) in cash restricted for building costs	244,891	(244,891)
Purchase of physical properties	(498,699)	(292,454)
	<u>(253,808)</u>	<u>(537,345)</u>
Net cash and cash equivalents used in investing activities		
Cash flows from financing activities:		
Contributions restricted for building costs	210,555	192,545
	<u>210,555</u>	<u>192,545</u>
Increase in cash and cash equivalents	691,087	382,906
Cash and cash equivalents at beginning of the year	<u>1,526,165</u>	<u>1,143,259</u>
Cash and cash equivalents at end of the year	<u>\$ 2,217,252</u>	<u>\$ 1,526,165</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.

In accordance with Diocesan policy, the Church discontinued sponsorship of its preschool ministry effective July 1, 2013. However, the Church has established an operating agreement with a newly formed tax-exempt organization known as Gabriel's Little Angels Preschool. This independent nonprofit organization has arranged to utilize the facilities of the Church for a preschool ministry that will continue to serve the local community.

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. The financial statements of the Church have been prepared using accounting principles generally accepted in the United States of America ("US GAAP").

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 statements 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.

ST. GABRIEL THE ARCHANGEL CATHOLIC COMMUNITY

Notes to Financial Statements

2 - Summary of Significant Accounting Policies (continued)

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.

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.

Functional Allocation of Expenses - The costs of providing the various program services and supporting activities of the Church have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities.

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. As of July 1, 2013, this ministry operates independently from the Church and is now known as Gabriel's Little Angels Preschool (See Note 1).

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.

Subsequent Events - Subsequent events have been evaluated through September 15, 2014, which is the date the financial statements were available to be issued.

ST. GABRIEL THE ARCHANGEL CATHOLIC COMMUNITY

Notes to Financial Statements

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 years ended June 30, 2014 and 2013 amounted to \$260,371 and \$270,122, respectively. 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 in excess of \$2,000 are capitalized.

4 - 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, 2014.

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 10,077
2016	10,077
2017	7,465
2018	2,124

Rent expense for the years ended June 30, 2014 and 2013 totaled approximately \$7,950 and \$11,400, respectively.

5 - 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 an additional 1% of annual pay. Aggregate employer contributions during the years ended June 30, 2014 and 2013 were \$10,755 and \$14,722, respectively.

6 - 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.

7 - Income Taxes

The Church follows the Income Taxes topic of the FASB ASC, which prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. The Church is not aware of any activities that would jeopardize its tax-exempt status and is not aware of any activities that are subject to tax on unrelated business income. As of June 30, 2014, the Church has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and does not expect this to change in the next twelve months.

ST. GABRIEL THE ARCHANGEL CATHOLIC COMMUNITY
Notes to Financial Statements

8 - Temporarily Restricted Net Assets

The balance of temporarily restricted net assets as of June 30, 2014 and 2013, 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 years ended June 30, 2014 and 2013, temporarily restricted net assets in the amount of \$566,225 and \$187,638 had been expended in accordance with donor restrictions and have been reclassified to unrestricted net assets. Temporarily restricted net assets consisted of the following as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Tithing - General and Outreach	\$ 38,986	\$ 55,306
Laying the Foundation	-	244,891
Pro Life Ministry	43,094	41,854
Mission Trips	7,353	7,353
Community Center Upgrades	-	852
Outreach - Disaster Relief	<u>3,079</u>	<u>3,079</u>
	<u>\$ 92,512</u>	<u>\$ 353,335</u>

9 - 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 as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land Trust	\$ 1,449,708	\$ 1,000,103
Facilities Maintenance	86,820	76,179
School Trust	44,610	44,521
Monument Signage	31,088	31,088
Men’s Club	29,215	26,442
Holy Spirit Prayer Group	14,196	13,471
Habitat for Humanity	10,810	10,690
Women’s Club	7,920	9,725
Holiday Boutique	16,488	8,073
Gift Shop Ministry	6,709	5,615
Discretionary	4,257	5,354
Technology Upgrades	30,374	-
Other	<u>10,892</u>	<u>10,117</u>
	<u>\$ 1,743,087</u>	<u>\$ 1,241,378</u>