

**ST. GABRIEL THE ARCHANGEL
CATHOLIC COMMUNITY**

McKinney, Texas

Financial Statements

Years Ended June 30, 2015 and 2014

ST. GABRIEL THE ARCHANGEL CATHOLIC COMMUNITY

Financial Statements

Years Ended June 30, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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 16, 2015

ST. GABRIEL THE ARCHANGEL CATHOLIC COMMUNITY

Statements of Financial Position
 June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets		
Cash	\$ 2,779,923	\$ 2,217,252
Accounts receivable	<u>2,485</u>	<u>2,285</u>
Total current assets	<u>2,782,408</u>	<u>2,219,537</u>
Physical properties		
Land	626,770	626,770
Buildings and improvements	9,277,402	9,277,402
Furniture and equipment	642,490	597,489
Construction in progress	797,903	694,393
Accumulated depreciation	<u>(3,400,898)</u>	<u>(3,141,369)</u>
Net physical properties	<u>7,943,667</u>	<u>8,054,685</u>
Other assets		
Cash restricted for building costs	<u>262,726</u>	<u>-</u>
Total assets	<u>\$ 10,988,801</u>	<u>\$ 10,274,222</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 117,936	\$ 188,804
Accrued expenses	19,118	9,475
Deferred revenue	<u>23,151</u>	<u>18,521</u>
Total liabilities	<u>160,205</u>	<u>216,800</u>
Net assets		
Unrestricted		
Undesignated	8,183,322	8,221,823
Board designated	<u>2,287,181</u>	<u>1,743,087</u>
Total unrestricted	10,470,503	9,964,910
Temporarily restricted	<u>358,093</u>	<u>92,512</u>
Total net assets	<u>10,828,596</u>	<u>10,057,422</u>
Total liabilities and net assets	<u>\$ 10,988,801</u>	<u>\$ 10,274,222</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Change in unrestricted net assets:		
Revenues and other support:		
Stewardship and contributions	\$ 2,239,966	\$ 2,208,135
Youth	97,806	79,780
Faith Formation	67,802	63,806
Worship	17,753	17,497
Fellowship	39,763	46,678
Family Life	17,107	12,118
SVdP Gala / Mardi Gras	72,220	56,523
Miscellaneous	64,771	99,966
Loss on disposal of physical properties	-	(2,859)
Net assets released from restrictions	<u>213,711</u>	<u>566,225</u>
 Total revenues and other support	 <u>2,830,899</u>	 <u>3,147,869</u>
 Program expenses:		
Youth	222,737	195,103
Faith Formation	193,174	193,312
Worship	267,818	232,226
Outreach	108,172	109,265
Fellowship	51,878	33,878
Family Life	<u>23,679</u>	<u>15,326</u>
 Total program expenses	 867,458	 779,110
 Supporting services:		
General and administration	<u>1,457,848</u>	<u>1,459,021</u>
 Total expenses	 <u>2,325,306</u>	 <u>2,238,131</u>
 Change in unrestricted net assets	 <u>505,593</u>	 <u>909,738</u>
 Change in temporarily restricted net assets:		
Stewardship and contributions	479,292	305,402
Net assets released from restrictions	<u>(213,711)</u>	<u>(566,225)</u>
 Change in temporarily restricted net assets	 <u>265,581</u>	 <u>(260,823)</u>
 Change in net assets	 771,174	 648,915
 Net assets at beginning of the year	 <u>10,057,422</u>	 <u>9,408,507</u>
 Net assets at end of the year	 <u>\$ 10,828,596</u>	 <u>\$ 10,057,422</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 771,174	\$ 648,915
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	259,529	260,371
Loss on disposal of physical properties	-	2,859
Contributions restricted for building costs	(384,602)	(210,555)
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(200)	4,052
Decrease in inventory	-	843
Decrease in prepaid expenses	-	19,077
Increase (decrease) in accounts payable	(70,868)	15,315
Increase (decrease) in accrued expenses	9,643	(2,228)
Increase (decrease) in deferred revenue	4,630	(4,309)
	<u>589,306</u>	<u>734,340</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Decrease (increase) in cash restricted for building costs	(262,726)	244,891
Purchase of physical properties	(148,511)	(498,699)
	<u>(411,237)</u>	<u>(253,808)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Contributions restricted for building costs	384,602	210,555
	<u>562,671</u>	<u>691,087</u>
Increase in cash		
Cash at beginning of the year	<u>2,217,252</u>	<u>1,526,165</u>
Cash at end of the year	<u>\$ 2,779,923</u>	<u>\$ 2,217,252</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. The Church did not have cash equivalents as of June 30, 2015 and 2014.

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.

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 16, 2015, 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	3 - 20 years

Depreciation expense for the years ended June 30, 2015 and 2014 amounted to \$259,529 and \$260,371, 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, 2015.

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

Rent expense for the years ended June 30, 2015 and 2014 totaled approximately \$10,077 and \$7,950, 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, 2015 and 2014 were \$17,949 and \$10,755, 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, 2015, 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, 2015 and 2014, 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, 2015 and 2014, temporarily restricted net assets in the amount of \$213,711 and \$566,225 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Tithing - General and Outreach	\$ 37,150	\$ 38,986
Building / Plus	262,726	-
Pro Life Ministry	47,785	43,094
Mission Trips	7,353	7,353
Outreach - Disaster Relief	<u>3,079</u>	<u>3,079</u>
	<u>\$ 358,093</u>	<u>\$ 92,512</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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land Trust	\$ 2,005,512	\$ 1,449,708
Facilities Maintenance	91,876	86,820
School Trust	43,217	44,610
Monument Signage	31,088	31,088
Men’s Club	17,872	29,215
Holy Spirit Prayer Group	11,337	14,196
Habitat for Humanity	10,810	10,810
Women’s Club	8,211	7,920
Holiday Boutique	11,011	16,488
Gift Shop Ministry	3,522	6,709
Discretionary	8,403	4,257
Technology Upgrades	-	30,374
SVdP Gala	34,528	2,000
Other	<u>9,794</u>	<u>8,892</u>
	<u>\$ 2,287,181</u>	<u>\$ 1,743,087</u>