

**ST. GABRIEL THE ARCHANGEL  
CATHOLIC PARISH**

McKinney, Texas

Consolidated Financial Statements

Years Ended June 30, 2022 and 2021

# **ST. GABRIEL THE ARCHANGEL CATHOLIC PARISH**

Consolidated Financial Statements  
Years Ended June 30, 2022 and 2021

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## INDEPENDENT AUDITORS' REPORT

To the Finance Council  
St. Gabriel the Archangel Catholic Parish  
McKinney, Texas

### ***Opinion***

We have audited the accompanying consolidated financial statements of St. Gabriel the Archangel Catholic Parish (the "Church") which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Gabriel the Archangel Catholic Parish as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis of Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of St. Gabriel the Archangel Catholic Parish and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Management's Responsibilities for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Gabriel the Archangel Catholic Parish's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

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

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)***

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

PSK LLP

Arlington, Texas  
August 3, 2022

**ST. GABRIEL THE ARCHANGEL CATHOLIC PARISH**

## Consolidated Statements of Financial Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 4,211,698	\$ 2,169,421
Prepaid expenses	<u>9,905</u>	<u>6,456</u>
Total current assets	<u>4,221,603</u>	<u>2,175,877</u>
Physical properties		
Land	626,770	626,770
Buildings and improvements	31,660,431	31,544,175
Furniture and equipment	655,081	655,081
Construction in progress	84,620	83,740
Accumulated depreciation	<u>(7,489,898)</u>	<u>(6,491,424)</u>
Net physical properties	<u>25,537,004</u>	<u>26,418,342</u>
Total assets	<u><u>\$ 29,758,607</u></u>	<u><u>\$ 28,594,219</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 85,879	\$ 92,044
Accrued expenses	19,890	20,817
Deferred revenue	100,797	35,957
Current portion of notes payable	<u>102,397</u>	<u>429,612</u>
Total current liabilities	308,963	578,430
Long-term liabilities		
Notes payable, net of current portion	<u>6,568,736</u>	<u>6,417,540</u>
Total liabilities	<u>6,877,699</u>	<u>6,995,970</u>
Net assets		
Without donor restrictions		
Undesignated	20,171,031	20,765,394
Board designated	<u>564,580</u>	<u>118,652</u>
Total without donor restrictions	20,735,611	20,884,046
With donor restrictions	<u>2,145,297</u>	<u>714,203</u>
Total net assets	<u>22,880,908</u>	<u>21,598,249</u>
Total liabilities and net assets	<u><u>\$ 29,758,607</u></u>	<u><u>\$ 28,594,219</u></u>

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

**ST. GABRIEL THE ARCHANGEL CATHOLIC PARISH**

## Consolidated Statements of Activities

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Change in net assets without donor restrictions:		
Revenues and other support:		
Stewardship and contributions	\$ 3,579,915	\$ 3,038,006
Youth	104,596	35,375
Faith Formation	48,047	22,000
Worship and fellowship	16,604	11,627
Family Life	59,584	54,014
Fundraisers	41,933	5,948
Forgiveness of note payable	-	226,485
Miscellaneous	116,113	185,482
Reclassification of net assets	(213,847)	-
Net assets released from restrictions	<u>138,622</u>	<u>204,861</u>
 Total revenues and other support	 <u>3,891,567</u>	 <u>3,783,798</u>
 Program expenses:		
Faith Formation	1,159,465	957,528
Worship and liturgical	1,160,473	1,121,786
Ministries	<u>448,776</u>	<u>426,934</u>
 Total program expenses	 2,768,714	 2,506,248
 Supporting services:		
General and administration	<u>1,271,288</u>	<u>1,190,418</u>
 Total expenses	 <u>4,040,002</u>	 <u>3,696,666</u>
 Change in net assets without donor restrictions	 <u>(148,435)</u>	 <u>87,132</u>
 Change in net assets with donor restrictions:		
Stewardship and contributions	1,355,869	345,663
Reclassification of net assets	213,847	-
Net assets released from restrictions	<u>(138,622)</u>	<u>(204,861)</u>
 Change in net assets with donor restrictions	 <u>1,431,094</u>	 <u>140,802</u>
 Change in net assets	 1,282,659	 227,934
 Net assets at beginning of the year	 <u>21,598,249</u>	 <u>21,370,315</u>
 Net assets at end of the year	 <u>\$ 22,880,908</u>	 <u>\$ 21,598,249</u>

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

**ST. GABRIEL THE ARCHANGEL CATHOLIC PARISH**

## Consolidated Statements of Functional Expenses

Years Ended June 30, 2022 and 2021

	2022				
	Program Expenses			Supporting	Total
	Faith Formation	Worship and Liturgical	Ministries	Services	
Salaries and benefits	\$ 406,242	\$ 374,278	\$ 400	\$ 556,609	\$ 1,337,529
Contributions and assessments	-	-	99,255	407,856	507,111
Professional fees	2,420	3,405	-	40,832	46,657
Insurance and risk management	29,432	33,636	12,614	8,409	84,091
Supplies, repairs, and maintenance	230,683	188,368	126,212	117,386	662,649
Utilities	57,031	65,178	24,442	16,294	162,945
Interest and bank fees	84,191	96,219	36,082	24,055	240,547
Depreciation	349,466	399,389	149,771	99,847	998,473
	<u>\$ 1,159,465</u>	<u>\$ 1,160,473</u>	<u>\$ 448,776</u>	<u>\$ 1,271,288</u>	<u>\$ 4,040,002</u>
	2021				
	Program Expenses			Supporting	Total
	Faith Formation	Worship and Liturgical	Ministries	Services	
Salaries and benefits	\$ 297,521	\$ 371,087	\$ 200	\$ 533,742	\$ 1,202,550
Contributions and assessments	-	-	88,935	354,252	443,187
Professional fees	765	3,760	215	59,045	63,785
Insurance and risk management	19,287	22,042	8,266	5,510	55,105
Supplies, repairs, and maintenance	157,561	173,589	122,578	100,041	553,769
Utilities	48,431	55,350	20,756	13,838	138,375
Interest and bank fees	85,171	97,339	36,502	24,335	243,347
Depreciation	348,792	398,619	149,482	99,655	996,548
	<u>\$ 957,528</u>	<u>\$ 1,121,786</u>	<u>\$ 426,934</u>	<u>\$ 1,190,418</u>	<u>\$ 3,696,666</u>

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

**ST. GABRIEL THE ARCHANGEL CATHOLIC PARISH**

## Consolidated Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,282,659	\$ 227,934
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	998,473	996,548
Contributions restricted for building costs	(1,284,240)	(239,941)
Forgiveness of note payable	-	(226,485)
Change in assets and liabilities:		
(Increase) decrease in prepaid expenses	(3,449)	3,086
Increase (decrease) in accounts payable	(6,165)	83,667
Increase (decrease) in accrued expenses	(927)	(4,510)
Increase (decrease) in deferred revenue	<u>64,840</u>	<u>25,227</u>
Net cash provided by operating activities	<u>1,051,191</u>	<u>865,526</u>
Cash flows from investing activities:		
Purchase of physical properties	<u>(117,135)</u>	<u>(96,666)</u>
Cash flows from financing activities:		
Contributions restricted for building costs	1,284,240	239,941
Principal payments on note payable	<u>(176,019)</u>	<u>(312,956)</u>
Net cash provided by (used in) financing activities	<u>1,108,221</u>	<u>(73,015)</u>
Net change in cash	2,042,277	695,845
Cash at beginning of the year	<u>2,169,421</u>	<u>1,473,576</u>
Cash at end of the year	<u>\$ 4,211,698</u>	<u>\$ 2,169,421</u>
Supplemental information:		
Cash paid for interest	<u>\$ 191,316</u>	<u>\$ 196,764</u>

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



**ST. GABRIEL THE ARCHANGEL CATHOLIC PARISH**

## Notes to Consolidated Financial Statements

**1 - Historical Background**

St. Gabriel the Archangel Catholic Parish (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.

The Church is the sole member of an affiliated entity known as SGACP-RC, which holds the real estate of the Church. The Church is also the sole beneficiary of the St. Gabriel the Archangel Land Trust.

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 Little Angels Catholic 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**

Reporting Entity - These consolidated financial statements include the accounts of St. Gabriel the Archangel Catholic Parish, St. Gabriel the Archangel Land Trust and SGACP-RC. All significant activity between the entities has been eliminated in these consolidated financial statements.

Basis of Accounting - The consolidated 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 recorded when the obligation is incurred. The consolidated financial statements of the Church have been prepared using accounting principles generally accepted in the United States of America ("US GAAP").

Basis of Presentation - Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

**ST. GABRIEL THE ARCHANGEL CATHOLIC PARISH**

## Notes to Consolidated Financial Statements

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

Donated Services - No amounts have been reflected in the consolidated 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 consolidated 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 consolidated 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 Parish, as part of the Catholic Diocese of Dallas, is exempt under this ruling.

Use of Estimates - Management uses estimates and assumptions in preparing these consolidated 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 reporting cash flows, the Church considers all bank deposits and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents.

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services on the basis of estimates of square footage.

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

Faith Formation - Religious education and spiritual development programs for parishioners.

Worship and Liturgical - A hospitable atmosphere for increased participation in prayer and worship.

Ministries - Various ministries of the Church including local, national, and worldwide outreach, fellowship among parishioners, and the enhancement of family life by providing support, guidance, and a sense of belonging.

Subsequent Events - Subsequent events have been evaluated through August 3, 2022, which is the date the financial statements were available to be issued.

**ST. GABRIEL THE ARCHANGEL CATHOLIC PARISH**  
Notes to Consolidated Financial Statements

### 3 - Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor restrictions limiting their use or without requiring specific action of the Board, within one year of the date of the consolidated statements of financial position are comprised of the following:

	<u>2022</u>	<u>2021</u>
Cash	\$ 4,211,698	\$ 2,169,421
Board designations	(564,580)	(118,652)
Donor-imposed restrictions	<u>(2,145,297)</u>	<u>(714,203)</u>
Financial assets available to meet general expenditure needs within one year	<u>\$ 1,501,821</u>	<u>\$ 1,336,566</u>

### 4 - 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

Maintenance, repairs, and minor renewals that do not significantly improve or extend the lives of the representative assets are expensed when incurred. Prior to January 2021, additions, improvements, and major renewals in excess of \$2,000 were capitalized.

In January 2021, the Church adopted a new capitalization policy implemented by the Diocese. Under this policy, capital improvements in excess of \$10,000 and other additions, improvements, and major renewals in excess of \$5,000 are capitalized.

### 5 - Notes Payable

In November 2021, the Church amended its loan agreement to allow for monthly payments of interest only from November 2021 to May 2023. The loan continues to bear interest at a fixed rate of 2.75% through November 2028, at which time, the fixed rate will change to 4.90% and remain through maturity in November 2036. Beginning in June 2023, the Church is required to make monthly payments of principal and interest in the amount of \$49,342 through November 2028, at which time, the Church will be required to make monthly payments of principal and interest in the amount sufficient to fully amortize the note payable through its maturity. The loan is secured by Church property. The outstanding balance of the loan for the years ended June 30, 2022 and 2021 was \$6,671,133 and \$6,847,152, respectively.

In November 2021, the Church obtained a line of credit with maximum borrowings of \$828,867. The Church can draw from the line of credit through May 2023. The line of credit requires monthly payments of interest only on any outstanding balance from November 2021 to May 2023. The line of credit bears interest at a fixed rate of 2.75% through November 2028, at which time, the fixed rate will change to 4.90% and remain through maturity in November 2036. Beginning in June 2023, the Church is required to make monthly payments of principal and interest in an amount sufficient to amortize the line of credit balance over 162 months through November 2028, at which time, the Church will be required to make monthly payments of principal and interest in the amount sufficient to fully amortize the note payable through its maturity. As of June 30, 2022, there was no outstanding balance on the line of credit.

**ST. GABRIEL THE ARCHANGEL CATHOLIC PARISH**

## Notes to Consolidated Financial Statements

**5 - Notes Payable (continued)**

In April 2020, the Church obtained a note payable under the Small Business Administration (“SBA”) Paycheck Protection Program (the “Program”) of the CARES Act in the amount of \$226,485. Under the Program, all or a portion of the note payable may be forgiven for amounts that are used for the qualifying purposes under the SBA requirements. At June 30, 2020, the note had an outstanding balance of \$226,485. In November 2020, the Church received notification that the entire amount had been forgiven in full.

Future maturities of the note payable are scheduled as follows:

Year Ending June 30,	Amount
2023	\$ 102,397
2024	416,694
2025	428,299
2026	440,227
2027	452,487
Thereafter	<u>4,831,029</u>
	<u><u>\$ 6,671,133</u></u>

**6 - Net Assets Without Donor Restrictions**

The leadership of the Church has set aside certain unrestricted funds for specific purposes. These funds have not been restricted by the original donor; they are considered board designated. Net assets without donor restrictions - board designated consisted of the following reserves as of June 30, 2022 and 2021:

	2022	2021
Operations contingency	\$ 520,000	\$ 76,000
General ministries	29,772	27,547
Holy Spirit prayer group	13,231	13,529
Other	<u>1,577</u>	<u>1,576</u>
	<u><u>\$ 564,580</u></u>	<u><u>\$ 118,652</u></u>

**7 - Net Assets With Donor Restrictions**

The balance of net assets with donor restrictions as of June 30, 2022 and 2021, 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. Net assets with donor restrictions consisted of the following as of June 30, 2022 and 2021:

	2022	2021
HOPE fund	\$ 1,746,536	\$ 290,170
Land trust	289,885	328,201
PBOs	63,364	49,982
Outreach	21,126	21,126
Pro-life ministry	18,064	18,402
Other	<u>6,322</u>	<u>6,322</u>
	<u><u>\$ 2,145,297</u></u>	<u><u>\$ 714,203</u></u>

**ST. GABRIEL THE ARCHANGEL CATHOLIC PARISH**

## Notes to Consolidated Financial Statements

**7 - Net Assets With Donor Restrictions (continued)**

During the years ended June 30, 2022 and 2021, net assets with donor restrictions in the amount of \$138,622 and \$204,861, respectively, had been expended in accordance with donor restrictions and have been reclassified to net assets without donor restrictions.

**8 - 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, 2022 and 2021 were \$27,995 and \$15,674, respectively.

**9 - Concentrations of Credit Risk**

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.

**10 - Income Taxes**

The Church follows the Income Taxes topic of the FASB ASC, which prescribes a comprehensive model for the consolidated 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, 2022, the Church has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements and does not expect this to change in the next twelve months.