

ST. RITA CATHOLIC PARISH

Dallas, Texas

Combined Financial Statements

Years Ended June 30, 2020 and 2019

ST. RITA CATHOLIC PARISH
Combined Financial Statements
Years Ended June 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Finance Council
St. Rita Catholic Parish
Dallas, Texas

We have audited the accompanying combined financial statements of St. Rita Catholic Parish (the "Parish"), which comprise the combined statements of financial position as of June 30, 2020 and 2019, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Parish's preparation and fair presentation of the combined 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 Parish'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of St. Rita Catholic Parish as of June 30, 2020 and 2019, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental information on pages 20 - 23 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

PSK LLP

Arlington, Texas
August 26, 2020

ST. RITA CATHOLIC PARISH
 Combined Statements of Financial Position
 June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 3,994,945	\$ 1,627,956
Investments	4,303,611	4,208,838
Accounts receivable	29,020	81,907
Physical properties, net	23,509,614	24,312,080
Cash restricted for building	48,269	166,039
Other assets	61,795	117,311
 Total Assets	 \$ 31,947,254	 \$ 30,514,131
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 89,395	\$ 493,317
Accrued expenses	26,678	25,004
Funds held for others	9,281	22,645
Deferred revenues	992,845	1,008,285
Notes payable	7,191,893	5,979,658
 Total liabilities	 8,310,092	 7,528,909
 Net Assets		
Without donor restrictions	20,710,512	19,888,563
With donor restrictions	2,926,650	3,096,659
 Total net assets	 23,637,162	 22,985,222
 Total Liabilities and Net Assets	 \$ 31,947,254	 \$ 30,514,131

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

ST. RITA CATHOLIC PARISH

Combined Statement of Activities

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	\$ 4,473,357	\$ 385,734	\$ 4,859,091
Capital Campaign contributions	-	368,427	368,427
Tuition and fees, net of financial aid	6,425,271	-	6,425,271
Gifts and grants	161,775	-	161,775
Net investment returns	41,557	118,739	160,296
Fundraising	492,805	-	492,805
Other revenue	284,003	-	284,003
Net assets released from restrictions	<u>1,042,909</u>	<u>(1,042,909)</u>	<u>-</u>
Total revenues	<u>12,921,677</u>	<u>(170,009)</u>	<u>12,751,668</u>
Expenses			
Program Services			
Faith formation	85,075	-	85,075
Worship and liturgical	1,749,862	-	1,749,862
Ministries	188,180	-	188,180
School	<u>7,437,550</u>	<u>-</u>	<u>7,437,550</u>
Total program services	<u>9,460,667</u>	<u>-</u>	<u>9,460,667</u>
Supporting Services			
Management and general	2,558,781	-	2,558,781
Fundraising and development	<u>80,280</u>	<u>-</u>	<u>80,280</u>
Total supporting services	<u>2,639,061</u>	<u>-</u>	<u>2,639,061</u>
Total expenses	<u>12,099,728</u>	<u>-</u>	<u>12,099,728</u>
Change in net assets	821,949	(170,009)	651,940
Net assets at beginning of year	<u>19,888,563</u>	<u>3,096,659</u>	<u>22,985,222</u>
Net assets at end of year	<u>\$ 20,710,512</u>	<u>\$ 2,926,650</u>	<u>\$ 23,637,162</u>

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

ST. RITA CATHOLIC PARISH

Combined Statement of Activities

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	\$ 3,662,703	\$ 167,863	\$ 3,830,566
Capital Campaign contributions	-	520,856	520,856
Tuition and fees, net of financial aid	6,275,367	-	6,275,367
Gifts and grants	15,935	-	15,935
Net investment returns	44,260	152,392	196,652
Fundraising	571,084	-	571,084
Other revenue	282,468	-	282,468
Net assets released from restrictions	<u>811,648</u>	<u>(811,648)</u>	<u>-</u>
Total revenues	<u>11,663,465</u>	<u>29,463</u>	<u>11,692,928</u>
Expenses			
Program Services			
Faith formation	100,284	-	100,284
Worship and liturgical	1,696,454	-	1,696,454
Ministries	289,955	-	289,955
School	<u>7,200,459</u>	<u>-</u>	<u>7,200,459</u>
Total program services	<u>9,287,152</u>	<u>-</u>	<u>9,287,152</u>
Supporting Services			
Management and general	2,567,251	-	2,567,251
Fundraising and development	<u>12,442</u>	<u>-</u>	<u>12,442</u>
Total supporting services	<u>2,579,693</u>	<u>-</u>	<u>2,579,693</u>
Total expenses	<u>11,866,845</u>	<u>-</u>	<u>11,866,845</u>
Change in net assets	(203,380)	29,463	(173,917)
Net assets at beginning of year	<u>20,091,943</u>	<u>3,067,196</u>	<u>23,159,139</u>
Net assets at end of year	<u>\$ 19,888,563</u>	<u>\$ 3,096,659</u>	<u>\$ 22,985,222</u>

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

ST. RITA CATHOLIC PARISH
 Combined Statement of Functional Expenses
 Year Ended June 30, 2020

	Program Expenses				Total Program Expenses
	Faith Formation	Worship and Liturgical	Ministries	School	
Salaries and benefits	\$ 15,996	\$ 816,333	\$ 18,447	\$ 5,400,476	\$ 6,251,252
Contributions and assessments	-	-	83,551	22,094	105,645
Professional fees	2,928	20,805	1,671	36,423	61,827
Insurance and risk management	2,326	53,049	2,683	106,621	164,679
Supplies, repairs, and maintenance	22,569	430	34,250	1,418,308	1,475,557
Utilities	2,660	67,975	3,067	124,758	198,460
Interest and financing	2,124	43,553	2,450	132,420	180,547
Depreciation and amortization	36,472	747,717	42,061	196,450	1,022,700
Total	<u>\$ 85,075</u>	<u>\$ 1,749,862</u>	<u>\$ 188,180</u>	<u>\$ 7,437,550</u>	<u>\$ 9,460,667</u>

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

ST. RITA CATHOLIC PARISH
 Combined Statement of Functional Expenses (continued)
 Year Ended June 30, 2020

	Supporting Services			Total Expenses
	Management and General	Fundraising and Development	Total Supporting Services	
Salaries and benefits	\$ 1,237,722	\$ 66,720	\$ 1,304,442	\$ 7,555,694
Contributions and assessments	485,512	-	485,512	591,157
Professional fees	36,817	-	36,817	98,644
Insurance and risk management	45,911	-	45,911	210,590
Supplies, repairs, and maintenance	103,965	9,009	112,974	1,588,531
Utilities	41,827	-	41,827	240,287
Interest and financing	33,412	4,551	37,963	218,510
Depreciation and amortization	573,615	-	573,615	1,596,315
	<u>\$ 2,558,781</u>	<u>\$ 80,280</u>	<u>\$ 2,639,061</u>	<u>\$ 12,099,728</u>
Total				

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

ST. RITA CATHOLIC PARISH
Combined Statement of Functional Expenses
Year Ended June 30, 2019

	Program Expenses				Total Program Expenses
	Faith Formation	Worship and Liturgical	Ministries	School	
Salaries and benefits	\$ 15,040	\$ 804,386	\$ 17,345	\$ 5,105,607	\$ 5,942,378
Contributions and assessments	-	-	105,581	31,425	137,006
Professional fees	7,201	19,808	7,617	37,613	72,239
Insurance and risk management	1,986	40,707	2,290	94,345	139,328
Supplies, repairs, and maintenance	35,842	17,336	111,173	1,485,581	1,649,932
Utilities	3,015	61,819	3,477	141,457	209,768
Interest and financing	2,405	39,051	2,345	123,346	167,147
Depreciation and amortization	34,795	713,347	40,127	181,085	969,354
Total	<u>\$ 100,284</u>	<u>\$ 1,696,454</u>	<u>\$ 289,955</u>	<u>\$ 7,200,459</u>	<u>\$ 9,287,152</u>

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

ST. RITA CATHOLIC PARISH
 Combined Statement of Functional Expenses (continued)
 Year Ended June 30, 2019

	Supporting Services			Total Expenses
	Management and General	Fundraising and Development	Total Supporting Services	
Salaries and benefits	\$ 1,259,253	\$ -	\$ 1,259,253	\$ 7,201,631
Contributions and assessments	462,917	-	462,917	599,923
Professional fees	25,090	-	25,090	97,329
Insurance and risk management	36,546	-	36,546	175,874
Supplies, repairs, and maintenance	118,686	7,798	126,484	1,776,416
Utilities	63,963	-	63,963	273,731
Interest and financing	53,549	4,644	58,193	225,340
Depreciation and amortization	547,247	-	547,247	1,516,601
	<u>\$ 2,567,251</u>	<u>\$ 12,442</u>	<u>\$ 2,579,693</u>	<u>\$ 11,866,845</u>
Total				

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

ST. RITA CATHOLIC PARISH

Combined Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 651,940	\$ (173,917)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,596,315	1,516,601
Net investment returns	(160,296)	(196,652)
Contributions restricted for building	(368,427)	(520,856)
Contributions to endowment fund	(39,770)	(85,366)
(Increase) decrease in assets:		
Accounts receivable	52,887	(56,916)
Other assets	55,516	(18,384)
Increase (decrease) in liabilities:		
Accounts payable	(403,922)	(13,260)
Accrued expenses	1,674	(90,146)
Funds held for others	(13,364)	(19,567)
Deferred revenues	(15,440)	23,212
	<u>1,357,113</u>	<u>364,749</u>
Net cash provided by operating activities		
Cash Flows From Investing Activities		
Purchases of investments	(59,970)	(58,387)
Proceeds on sale of investments	125,493	122,060
Disposal of physical properties	-	1,402
Purchases of physical properties	(701,367)	(955,266)
	<u>(635,844)</u>	<u>(890,191)</u>
Net cash used in investing activities		
Cash Flows From Financing Activities		
Contributions restricted for building	368,427	520,856
Contributions to endowment fund	39,770	85,366
Payments on notes payable	(328,693)	(379,340)
Borrowings on notes payable	1,448,446	94,593
	<u>1,527,950</u>	<u>321,475</u>
Net cash provided by financing activities		
Change in cash, cash equivalents, and restricted cash	2,249,219	(203,967)
Cash, cash equivalents, and restricted cash at beginning of the year	<u>1,793,995</u>	<u>1,997,962</u>
Cash, cash equivalents, and restricted cash at end of the year	<u>\$ 4,043,214</u>	<u>\$ 1,793,995</u>
Supplemental Disclosures:		
Cash paid for interest and expensed	<u>\$ 163,757</u>	<u>\$ 169,626</u>
Non-cash investing and financing activity:		
Physical properties acquired with note payable	<u>\$ 92,482</u>	<u>\$ -</u>

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

ST. RITA CATHOLIC PARISH
Notes to Combined Financial Statements

1 - Historical Background

St. Rita Catholic Parish was established by the Catholic Diocese of Dallas (the “Diocese”) in 1961 for the purpose of providing ministry services to Catholics and others in Dallas, Texas, and the surrounding area. St. Rita Catholic School (the “School”) is a coeducational parochial school of the Parish providing education to students in Pre-K through eighth grade. St. Rita School Endowment (the “Endowment”) is comprised of a trust fund that was established in 1997 to receive and maintain funds to assist, promote, and further the education of the students of the School.

The combined financial statements include the accounts of the Parish, School, and Endowment (collectively referred to as the “Parish”). All significant inter-organizational transactions and balances have been eliminated.

2 - Significant Accounting Policies

Basis of Accounting - The combined financial statements of the Parish 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 combined financial statements of the Parish have been prepared using accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Adoption of New Accounting Standards - In November 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2016-18: *Statement of Cash Flows (Topic 230): Restricted Cash* (“ASU 2016-18”), which is an amendment to the FASB Accounting Standards Codification (“FASB ASC”) Topic 230. ASU 2016-18 is effective for annual financial statements issued for fiscal years beginning after December 15, 2018. Adopting ASU 2016-18 has had the following impact on the Parish’s combined financial statements:

- The combined statements of cash flows now show the change in total cash, cash equivalents, and restricted cash in the reconciliation of beginning of year and end of year amounts.
- The notes to the combined financial statements include a new disclosure to reconcile cash, cash equivalents, and restricted cash reported on the combined statements of financial position to the amounts shown on the consolidated statements of cash flows.

In May 2014, the FASB issued Accounting Standards Update 2014-09 (“ASU 2014-09”), *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 and subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. ASU 2014-09 also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Parish adopted the new standard effective July 1, 2019, the first day of the Parish’s fiscal year using the modified retrospective approach.

As part of the adoption of ASU 2014-09, the Parish elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The adoption of ASU 2014-09 resulted in no change to beginning net assets as of July 1, 2019. The impact of applying ASU 2014-09 for the year ended June 30, 2020 resulted in no change to tuition and fees revenues as they continue to be accounted for as a single performance obligation and recognized over the period during which services are rendered consistent with prior revenue recognition guidance under U.S. GAAP.

ST. RITA CATHOLIC PARISH
Notes to Combined Financial Statements

2 - Significant Accounting Policies (continued)

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.

Revenue Recognition - The Parish is supported primarily through contributions from the Parish membership and tuition and fees from the School. Revenues related to contributions are recognized when the funds are received. Revenues related to tuition and fees are recognized evenly over the period of time during which services are rendered. All revenues are recognized in an amount that reflects the consideration the Parish has received or expects to receive in exchange for those services.

Performance Obligations - Performance obligations related to tuition and fees revenue are satisfied over the period of time for which a child has been enrolled in the School. Tuition and fees payments are billed annually and collected either annually or in monthly installments; the related revenue is recognized evenly during the year as services are rendered.

Income Taxes - 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. Rita Catholic Parish, as part of the Catholic Diocese of Dallas, is exempt under this ruling, as other than a private foundation.

The Parish 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 Parish 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, 2020, the Parish has no uncertain tax positions that qualify for either recognition or disclosure in the combined financial statements and does not expect this to change in the next twelve months.

Programs - The Parish pursues its objectives through the execution of the following major programs:

Faith formation - Religious education and spiritual development programs.

Worship and liturgical - Prayer and worship services.

Ministries - Various ministry areas of the Parish, including outreach, social, and health ministries.

School - Coeducational parochial education and activities provided to students in pre-kindergarten through eighth grade.

ST. RITA CATHOLIC PARISH
Notes to Combined Financial Statements

2 - Significant Accounting Policies (continued)

Use of Estimates - Management used estimates and assumptions in preparing these combined financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amounts 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.

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

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

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

Cash and Cash Equivalents - For purposes of reporting cash flows, the Parish considers all bank deposits and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital needs, such as building projects and debt retirement, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Physical Properties - Property and equipment are recorded at cost, if purchased, and fair market value at date of donation, if contributed. 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.

Depreciation is calculated using the straight line method over the estimated useful lives of the respective assets as follows:

Buildings and improvements	5 to 40 years
Furniture, fixtures and equipment	3 to 40 years

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the combined statements of activities. The combined 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 benefited on the basis of estimates of time and effort and utilization of space.

Investments - As required by the Not-for-Profit Entities Investments of Debt and Equity Securities topic of the FASB ASC, investments in marketable equity securities with readily determinable fair values and all investments in debt securities are carried at their fair values in the combined statements of financial position. Realized and unrealized gains and losses are included in the change in net assets.

Funds Held for Others - Funds held for others consist of amounts held for other entities to whose benefit the contributions were made. These contributions are not recorded as revenue or expenses of the Parish, as the Parish is not the ultimate beneficiary.

ST. RITA CATHOLIC PARISH
Notes to Combined Financial Statements

2 - Significant Accounting Policies (continued)

Deferred Revenues - Deferred revenues consist primarily of tuition and fees related to the upcoming school year.

Endowment Fund - The St. Rita School Endowment is comprised of a trust fund that is maintained for the purpose of receiving and maintaining funds to assist, promote, and further the education of the students of the School. The trust fund is administered by, and under the sole control of, a Board of Trustees (the "Trustees") and not administered by, or under the control of, the Parish or the School. The following description provides general information about the administration of the Endowment; the actual trust agreement provides a complete description of the Endowment's provisions.

Return objectives and risk parameters - The Trustees have adopted investment and spending policies that attempt to provide a predictable stream of funding to the School while seeking to maintain the purchasing power of the Endowment's assets. Under this policy, the Endowment's assets are invested in a manner that is intended to produce results that meet the return objectives while assuming a low level of investment risk.

Strategies employed for achieving objectives - To satisfy its long-term rate-of-return objectives, the Trustees rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Trustees target a diversified asset allocation that places emphasis on equity-based and fixed income investments to achieve its long-term return objectives within prudent risk constraints. Investment allocation for the Fund is reviewed by the Trustees on a periodic basis.

Spending policy - When the trust fund has a current fair market value of \$1,000,000, the Trustees shall annually distribute 5% of the average of the fair market value of the trust fund for the three previous years. Such distributions may include both earnings and contributions, if the total remains over \$1,000,000. If the fair market value of the trust fund falls below \$1,000,000 at the end of six consecutive calendar quarters, then the Trustees shall thereafter accumulate all contributions, income, and gains of the trust fund until it has a current market value of \$1,000,000.

Concentrations of Credit Risk - At times, the Parish maintains cash balances with financial institutions in excess of federally insured limits. It is the opinion of management that the solvency of these financial institutions is sufficient to cover any exposure.

3 - Liquidity and Availability of Resources

The Parish operates under a budget for activities supported by unrestricted contributions. Its Finance Council (the "Board") is responsible for monitoring the liquidity necessary to meet the Parish's operating needs and meets periodically throughout the year to evaluate the actual results of financial operations versus the budget. Additionally, the Parish maintains several Board-designated and donor-restricted funds purposed for various activities of the Parish and School (See Notes 11 and 12). Parish management, in accordance with Parish policy and/or in collaboration with the Board, appropriates resources from Board-designated and donor-restricted funds as needed.

ST. RITA CATHOLIC PARISH
Notes to Combined Financial Statements

3 - Liquidity and Availability of Resources (continued)

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 combined statements of financial position, are comprised of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,994,945	\$ 1,627,956
Investments	4,303,611	4,208,838
Accounts receivable	29,020	81,907
Cash restricted for building	<u>48,269</u>	<u>166,039</u>
	8,375,845	6,084,740
Donor-restricted funds	(2,926,650)	(3,096,659)
Board-designated funds	<u>(503,754)</u>	<u>(498,004)</u>
Financial assets available to meet general expenditure needs within one year	<u>\$ 4,945,441</u>	<u>\$ 2,490,077</u>

4 - Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the combined statements of financial position that sum to the total of the same amounts shown in the combined statements of cash flows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,994,945	\$ 1,627,956
Cash restricted for building	<u>48,269</u>	<u>166,039</u>
Total cash, cash equivalents, and restricted cash shown in the combined statements of cash flows	<u>\$ 4,043,214</u>	<u>\$ 1,793,995</u>

5 - Physical Properties

Physical properties as of June 30, 2020 and 2019 are comprised of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,321,225	\$ 1,321,225
Buildings	23,620,251	23,620,251
Building improvements	14,450,949	13,899,925
Furniture and fixtures	2,005,855	1,959,490
Equipment	2,139,477	1,900,686
Construction in Progress	<u>-</u>	<u>42,331</u>
	43,537,757	42,743,908
Less: accumulated depreciation	<u>(20,028,143)</u>	<u>(18,431,828)</u>
Net physical properties	<u>\$ 23,509,614</u>	<u>\$ 24,312,080</u>

Depreciation expense for the years ended June 30, 2020 and 2019 totaled \$1,596,315 and \$1,516,601, respectively.

ST. RITA CATHOLIC PARISH
Notes to Combined Financial Statements

6 - Fair Value Measurements and Disclosures

Investments as of June 30, 2020 and 2019 are comprised of the following:

	2020	2019
Certificates of deposit	\$ 1,575,534	\$ 1,538,947
Cash	27,170	30,582
Equity securities	1,442,887	1,509,216
Fixed income securities	1,258,020	1,130,093
Total	\$ 4,303,611	\$ 4,208,838

The Parish follows the Fair Value Measurements topic of the FASB ASC for all financial assets and liabilities measured at fair value on a recurring basis. The topic establishes a framework for measuring fair value and enhances disclosure requirements for fair value measurements. The Fair Value Measurements topic of the FASB ASC defines fair value as 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.

The topic establishes market or observable inputs as the preferred sources of values, followed by assumptions based on hypothetical transactions in the absence of market inputs. The topic establishes a hierarchy for grouping these assets and liabilities based on the significance level of the following inputs:

Level I – Quoted prices in active markets for identical assets or liabilities.

Level II – Quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations whose inputs are observable or whose significant drivers are observable.

Level III – Significant inputs to the valuation model are unobservable.

The cash, equity securities, and fixed income securities are held in active markets and are classified within the hierarchy as Level I assets. The certificates of deposit are directly held obligations of the respective financial institutions and are classified within the hierarchy as Level II assets.

7 - Operating Leases

The Parish has entered into non-cancelable operating leases for office equipment. Total lease expense for the years ended June 30, 2020 and 2019 totaled \$28,753 and \$44,126, respectively. The following is a schedule of future minimum rentals under the leases at June 30, 2020:

Year Ending June 30,	
2021	\$ 25,957
2022	12,235
2023	3,079

ST. RITA CATHOLIC PARISH
Notes to Combined Financial Statements

8 - Notes Payable

In April 2015, the Parish obtained a note payable with available credit in the amount of \$7,000,000 to finance the construction of new Parish facilities. The note provided for monthly payments of interest only until the conversion date of September 15, 2017, with interest at 2.75%. Thereafter, monthly payments of principal and interest were due in an amount sufficient to fully amortize the outstanding balance of the note over fifteen years. In March 2020, the note was amended so that payments of interest only are required until September 2020. Thereafter, monthly payments of principal and interest in the amount of \$44,110 are due. In April 2022, interest becomes 4.9% and monthly payments of principal and interest will be due in an amount sufficient to fully amortize the outstanding balance of the note over ten years. All unpaid principal and interest will be due at maturity in September 2032. The note is secured by Parish property. At June 30, 2020 and 2019, the note had an outstanding balance of \$5,625,068 and \$5,902,832, respectively.

In November 2018, the School obtained a note payable in the amount of \$94,593. The note, which bears interest at a rate of 4.25%, requires monthly payments of principal and interest of \$2,806. All unpaid interest and principal will be due at maturity in November 2021. The note is unsecured. At June 30, 2020 and 2019, the note had an outstanding balance of \$45,869 and \$76,826, respectively.

In July 2019, the School obtained a note payable in the amount of \$92,482 to finance the purchase of computer equipment. The note, which bears interest at a rate of 4.25%, requires monthly payments of principal and interest of \$2,101. All unpaid interest and principal will be due at maturity in July 2023. The note is secured by the computer equipment. At June 30, 2020, the note had an outstanding balance of \$72,510.

In April 2020, the Parish obtained a note payable under the Small Business Administration (“SBA”) Paycheck Protection Program (the “Program”) of the CARES Act in the amount of \$456,804. The note requires monthly payments of principal and interest beginning in November 2020, with a fixed interest rate of 1.00%, and matures in April 2022. At June 30, 2020, the note had an outstanding balance of \$456,804.

In April 2020, the School obtained a note payable under the aforementioned SBA Program of the CARES Act in the amount of \$991,642. The terms of the School’s note are the same as those of the Parish’s note. At June 30, 2020, the note had an outstanding balance of \$991,642.

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. Parish management estimates that the full amount of both the Parish’s note and the School’s note will be forgiven; therefore, these notes are not included in the schedule of future maturities below.

As of June 30, 2020, future maturities were scheduled as follows:

<u>Year Ending June 30,</u>		
2021	\$	338,397
2022		424,345
2023		345,210
2024		311,094
2025		324,656
Thereafter		<u>3,999,745</u>
Total		<u>\$ 5,743,447</u>

ST. RITA CATHOLIC PARISH
Notes to Combined Financial Statements

9 - Commitments

The Parish pays an assessment to the Catholic Diocese of Dallas (the "Diocese"), which is calculated as a percentage of contributions, less certain deductions. Assessments were \$485,512 and \$462,667 for the years ended June 30, 2020 and 2019, respectively.

10 - Retirement Plan

The Parish participates 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 4% of annual pay. Aggregate employer contributions during the years ended June 30, 2020 and 2019 were \$307,046 and \$260,821, respectively.

11 - Net Assets Without Donor Restrictions

The balances of net assets without donor restrictions as of June 30, 2020 and 2019 include net assets designated by the Board for the following purposes:

	2020	2019
Parish Nurse Fund	\$ 25,574	\$ 25,574
Parents' Club General Fund	419,440	422,886
Booster Club Fund	37,826	38,199
Walkoviak Fine Arts Fund	6,183	6,183
Other	14,731	5,162
	\$ 503,754	\$ 498,004

12 - Net Assets With Donor Restrictions

The balances of net assets with donor restrictions as of June 30, 2020 and 2019 relate to certain contributions for which the donors have imposed restrictions. These restrictions require the Parish and School to use such funds for expenditures directly related to various activities as follows:

	2020	2019
St. Rita Fine Arts Fund	\$ 27,646	\$ 20,994
Parish Capital Campaign	48,269	115,510
John J. Wilson Fund	6,679	10,419
Sanctuary Sound System	-	82,298
Rectory	14,985	1,000
Scholarship Fund	45,268	57,704
Holthouser Fund	3,597	3,597
Pedro Medrano Scholarship Fund	25,026	27,223
Sweeney Hall II	-	50,528
Other	814	-
Endowment Funds	2,754,366	2,727,386
	\$ 2,926,650	\$ 3,096,659

During the years ended June 30, 2020 and 2019, net assets with donor restrictions in the amounts of \$1,042,909 and \$811,648, respectively, had been expended in accordance with donor restrictions and have been reclassified to net assets without donor restrictions.

ST. RITA CATHOLIC PARISH
Notes to Combined Financial Statements

13 - Endowment Net Assets

The following is a summary of changes in endowment net assets for the years ended June 30, 2020 and 2019:

Balance at June 30, 2018	\$ 2,625,222
Contributions	85,366
Net investment return	152,392
Appropriations	<u>(135,594)</u>
Balance at June 30, 2019	<u>\$ 2,727,386</u>
Contributions	39,770
Net investment return	118,739
Appropriations	<u>(131,529)</u>
Balance at June 30, 2020	<u>\$ 2,754,366</u>

14 - Prior Period Adjustment

During 2020, management discovered that due to an oversight, an intercompany transaction was not eliminated when preparing the combined financial statements resulting in overstated revenues and overstated expenses for the year ended June 30, 2019. Accordingly, the following combined financial statement amounts for the year ended June 30, 2019 are restated as follows:

	<u>Balances, as previously reported</u>	<u>Effect of Elimination</u>	<u>Balances, as restated</u>
Gifts and grants revenue	\$ 265,935	\$ (250,000)	\$ 15,935
Ministries expense	539,955	(250,000)	289,955
Total contributions and assessments expense	849,923	(250,000)	599,923

15 - Subsequent Events

Subsequent events have been evaluated through August 26, 2020, which is the date the combined financial statements were available to be issued.

Subsequent to year end, the United States and global markets experienced fluctuations in value resulting from uncertainty caused by the worldwide coronavirus pandemic. The Parish is closely monitoring its investment portfolios and its liquidity and is actively working to minimize the impact of any declines in value.

SUPPLEMENTARY INFORMATION

ST. RITA CATHOLIC COMMUNITY

Combining Statement of Financial Position

June 30, 2020

	<u>Parish</u>	<u>School</u>	<u>Endowment</u>
Assets			
Cash and cash equivalents	\$ 2,462,036	\$ 1,506,620	\$ 26,289
Investments	442,201	1,133,333	2,728,077
Accounts receivable	120,686	10,031	-
Physical properties, net	23,000,623	508,991	-
Cash restricted for building	48,269	-	-
Other assets	<u>10,853</u>	<u>50,942</u>	<u>-</u>
Total Assets	<u>\$ 26,084,668</u>	<u>\$ 3,209,917</u>	<u>\$ 2,754,366</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 36,123	\$ 154,969	\$ -
Accrued expenses	7,695	18,983	-
Funds held for others	7,386	1,895	-
Deferred revenues	-	992,845	-
Note payable	<u>6,081,871</u>	<u>1,110,022</u>	<u>-</u>
Total liabilities	<u>6,133,075</u>	<u>2,278,714</u>	<u>-</u>
Net Assets			
Without donor restrictions	19,854,015	856,497	-
With donor restrictions	<u>97,578</u>	<u>74,706</u>	<u>2,754,366</u>
Total net assets	<u>19,951,593</u>	<u>931,203</u>	<u>2,754,366</u>
Total Liabilities and Net Assets	<u>\$ 26,084,668</u>	<u>\$ 3,209,917</u>	<u>\$ 2,754,366</u>

<u>Eliminations</u>	<u>Total</u>
\$ -	\$ 3,994,945
-	4,303,611
(101,697)	29,020
-	23,509,614
-	48,269
-	<u>61,795</u>
<u>\$ (101,697)</u>	<u>\$ 31,947,254</u>

\$ (101,697)	\$ 89,395
-	26,678
-	9,281
-	992,845
-	<u>7,191,893</u>
<u>(101,697)</u>	<u>8,310,092</u>

-	20,710,512
-	<u>2,926,650</u>
-	<u>23,637,162</u>
<u>\$ (101,697)</u>	<u>\$ 31,947,254</u>

ST. RITA CATHOLIC COMMUNITY

Combining Statement of Financial Position

June 30, 2019

	<u>Parish</u>	<u>School</u>	<u>Endowment</u>
Assets			
Cash and cash equivalents	\$ 1,158,124	\$ 412,337	\$ 57,495
Investments	432,078	1,106,869	2,669,891
Accounts receivable	273,286	16,824	-
Physical properties, net	23,744,894	567,186	-
Cash restricted for building	115,510	50,529	-
Other assets	<u>20,488</u>	<u>96,823</u>	<u>-</u>
Total Assets	<u>\$ 25,744,380</u>	<u>\$ 2,250,568</u>	<u>\$ 2,727,386</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 397,216	\$ 304,304	\$ -
Accrued expenses	6,853	18,151	-
Funds held for others	21,615	1,030	-
Deferred revenues	9,906	998,379	-
Note payable	<u>5,902,832</u>	<u>76,826</u>	<u>-</u>
Total liabilities	<u>6,338,422</u>	<u>1,398,690</u>	<u>-</u>
Net Assets			
Without donor restrictions	19,175,737	712,826	-
With donor restrictions	<u>230,221</u>	<u>139,052</u>	<u>2,727,386</u>
Total net assets	<u>19,405,958</u>	<u>851,878</u>	<u>2,727,386</u>
Total Liabilities and Net Assets	<u>\$ 25,744,380</u>	<u>\$ 2,250,568</u>	<u>\$ 2,727,386</u>

<u>Eliminations</u>	<u>Total</u>
\$ -	\$ 1,627,956
-	4,208,838
(208,203)	81,907
-	24,312,080
-	166,039
-	<u>117,311</u>
<u>\$ (208,203)</u>	<u>\$ 30,514,131</u>

\$ (208,203)	\$ 493,317
-	25,004
-	22,645
-	1,008,285
-	<u>5,979,658</u>
<u>(208,203)</u>	<u>7,528,909</u>

-	19,888,563
-	<u>3,096,659</u>
-	<u>22,985,222</u>
<u>\$ (208,203)</u>	<u>\$ 30,514,131</u>

ST. RITA CATHOLIC COMMUNITY

Combining Statement of Activities

Year Ended June 30, 2020

	<u>Parish</u>	<u>School</u>	<u>Endowment</u>
Revenues			
Contributions	\$ 4,804,601	\$ 140,213	\$ 39,770
Capital Campaign contributions	368,427	-	-
Tuition and fees, net of financial aid	63,578	6,361,693	-
Gifts and grants	225,021	332,878	-
Net investment returns	15,094	26,463	118,739
Fundraising	1,660	491,145	-
Other revenue	-	284,003	-
	<u>5,478,381</u>	<u>7,636,395</u>	<u>158,509</u>
Total revenues			
Expenses			
Program Services			
Faith formation	85,075	-	-
Worship and liturgical	1,749,862	-	-
Ministries	438,180	-	125,493
School	106,884	7,476,790	-
	<u>2,380,001</u>	<u>7,476,790</u>	<u>125,493</u>
Total program services			
Supporting Services			
Management and general	2,552,745	-	6,036
Fundraising and development	-	80,280	-
	<u>2,552,745</u>	<u>80,280</u>	<u>6,036</u>
Total supporting services			
Total expenses	<u>4,932,746</u>	<u>7,557,070</u>	<u>131,529</u>
Change in net assets	545,635	79,325	26,980
Net assets at beginning of year	<u>19,405,958</u>	<u>851,878</u>	<u>2,727,386</u>
Net assets at end of year	<u>\$ 19,951,593</u>	<u>\$ 931,203</u>	<u>\$ 2,754,366</u>

<u>Eliminations</u>	<u>Total</u>
\$ (125,493)	\$ 4,859,091
-	368,427
-	6,425,271
(396,124)	161,775
-	160,296
-	492,805
-	284,003
<u>(521,617)</u>	<u>12,751,668</u>
-	85,075
-	1,749,862
(375,493)	188,180
<u>(146,124)</u>	<u>7,437,550</u>
<u>(521,617)</u>	<u>9,460,667</u>
-	2,558,781
-	<u>80,280</u>
-	<u>2,639,061</u>
<u>(521,617)</u>	<u>12,099,728</u>
-	651,940
-	<u>22,985,222</u>
<u>\$ -</u>	<u>\$ 23,637,162</u>

ST. RITA CATHOLIC COMMUNITY

Combining Statement of Activities

Year Ended June 30, 2019

	<u>Parish</u>	<u>School</u>	<u>Endowment</u>
Revenues			
Contributions	\$ 3,722,439	\$ 144,821	\$ 85,366
Capital Campaign contributions	520,856	-	-
Tuition and fees, net of financial aid	79,717	6,195,650	-
Gifts and grants	381,901	250,000	-
Net investment returns	18,537	25,723	152,392
Fundraising	1,911	569,173	-
Other revenue	-	282,468	-
	<u>4,725,361</u>	<u>7,467,835</u>	<u>237,758</u>
Total revenues			
Expenses			
Program Services			
Faith formation	100,284	-	-
Worship and liturgical	1,696,454	-	-
Ministries	539,955	-	122,060
School	95,455	7,470,970	-
	<u>2,432,148</u>	<u>7,470,970</u>	<u>122,060</u>
Total program services			
Supporting Services			
Management and general	2,553,717	-	13,534
Fundraising and development	-	12,442	-
	<u>2,553,717</u>	<u>12,442</u>	<u>13,534</u>
Total supporting services			
Total expenses	<u>4,985,865</u>	<u>7,483,412</u>	<u>135,594</u>
Change in net assets	(260,504)	(15,577)	102,164
Net assets at beginning of year	<u>19,666,462</u>	<u>867,455</u>	<u>2,625,222</u>
Net assets at end of year	<u>\$ 19,405,958</u>	<u>\$ 851,878</u>	<u>\$ 2,727,386</u>

<u>Eliminations</u>	<u>Total</u>
\$ (122,060)	\$ 3,830,566
-	520,856
-	6,275,367
(615,966)	15,935
-	196,652
-	571,084
-	282,468
<u>(738,026)</u>	<u>11,692,928</u>
-	100,284
-	1,696,454
(372,060)	289,955
<u>(365,966)</u>	<u>7,200,459</u>
<u>(738,026)</u>	<u>9,287,152</u>
-	2,567,251
-	<u>12,442</u>
-	<u>2,579,693</u>
<u>(738,026)</u>	<u>11,866,845</u>
-	(173,917)
-	<u>23,159,139</u>
<u>\$ -</u>	<u>\$ 22,985,222</u>