

ST. AUSTIN CATHOLIC PARISH
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2015

ST. AUSTIN CATHOLIC PARISH

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INDEPENDENT AUDITORS' REPORT

Finance Committee
St. Austin Catholic Parish

Report on the Financial Statements

We have audited the accompanying financial statements of St. Austin Catholic Parish (SACP), which comprise the statement of financial position as of June 30, 2015, and the related statements of revenues, expenses and change in net assets and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity'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 entity'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.

Basis for Qualified Opinion

As discussed in Note A to the financial statements, SACP has recorded a substantial portion of its property and equipment at estimated costs due to the lack of historical cost information. In addition, depreciation is only recorded on certain assets. Accounting principles generally accepted in the United States of America require that property and equipment be stated at original cost, or fair value if donated, reduced by accumulated depreciation. The effects of the departure from generally accepted accounting principles identified above on the financial statements have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of SACP as of June 30, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Atchley & Associates, LLP

Austin, Texas

March 7, 2016

ST. AUSTIN CATHOLIC PARISH
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

Current assets	
Cash	\$ 167,828
Accounts receivable	21,011
Prepaid expense	776
Total current assets	<u>189,615</u>
Property and equipment, net	11,835,743
Restricted cash	<u>2,151,152</u>
Total assets	<u><u>\$ 14,176,510</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 104,032
Due to related party	8,779
Accrued expenses	3,191
Held for others	383
Refundable deposits	50,910
Short-term portion of debt	292,912
Total current liabilities	<u>460,207</u>
Long-term debt	<u>5,130,436</u>
Total liabilities	<u><u>5,590,643</u></u>
Net assets	
Unrestricted net assets	6,314,190
Temporarily restricted net assets	2,271,677
Total net assets	<u><u>8,585,867</u></u>
Total liabilities and net assets	<u><u>\$ 14,176,510</u></u>

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

ST. AUSTIN CATHOLIC PARISH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2015

Unrestricted Net Assets

Support and other revenues:

Contributions	\$ 1,547,668
Rental income	326,992
Parking income	203,881
Interest and dividend income	345
Other revenue	<u>198,394</u>
Total support and other revenues	2,277,280

Total expenses:

Salaries	674,503
Interest expense	376,816
Parish assessment	292,318
Depreciation	196,733
Payroll taxes and benefits	179,725
Subsidies and charitable contributions	136,532
Utilities	132,907
Insurance and risk management	105,525
Supplies and other services	103,106
Repairs and maintenance	100,520
Administrative and operation expense	30,679
Professional services	23,304
Taxes	15,920
Purchased furniture and equipment	5,212
Other expenses	<u>20</u>
Total expenses	<u>2,373,820</u>

Increase (decrease) in unrestricted net assets	<u>(96,540)</u>
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Temporarily restricted net assets

Capital campaign	2,321,677
Net assets released from restrictions	<u>-</u>

Increase (decrease) in temporarily restricted net assets	<u>2,321,677</u>
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Changes in net assets	2,225,137
Net assets, beginning of the year	<u>6,360,730</u>
Net assets, end of the year	<u><u>\$ 8,585,867</u></u>

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

ST. AUSTIN CATHOLIC PARISH
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

Cash flows from operating activities

Change in net assets	\$ 2,225,137
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation expense	196,733
Proceeds from capital campaign	(2,321,677)
Changes in assets and liabilities:	
Accounts receivable	(17,720)
Prepaid expense	(12)
Restricted cash	(2,101,137)
Accounts payable	10,242
Due to related party	8,264
Accrued expenses	605
Held for others	(15,264)
Refundable deposits	33,800
Net cash provided (used) by operating activities	(1,981,029)

Cash flows from investing activities

Net cash provided (used) by investing activities	-
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Cash flows from financing activities

Proceeds from capital campaign	2,321,677
Repayment of long-term debt	(269,452)

Net cash provided (used) by financing activities	2,052,225
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Increase (decrease) in cash and cash equivalents	71,196
Cash and cash equivalents - beginning of year	96,632
Cash and cash equivalents - end of year	\$ 167,828
Interest paid	\$ 376,816

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

ST. AUSTIN CATHOLIC PARISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

St. Austin Catholic Parish (SACP) was founded in 1908 as the third parish in the city of Austin, Texas. SACP is served by the Paulist Fathers, a religious community of priests established in the United States in 1858. In addition to staffing SACP, the Paulist Fathers also staff the University Catholic Center, the campus ministry center at The University of Texas at Austin.

Basis of Accounting

Except for property and equipment, the accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to non-profit organizations.

Basis of Presentation

SACP has adopted FASB Accounting Standards Codification (ASC) 958-205 and subsections. Under ASC 958-205, SACP has elected to report 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. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets-- Includes net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets-- Temporarily restricted net assets are funds whose use by SACP have been limited by donor stipulations that limit the use of the contributed assets to (a) later periods or after specific dates (time restrictions), (b) specific purposes (purpose restrictions) or (c) both. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets-- Permanently restricted net assets represent endowment funds which are subject to the restriction of donors that the principal be invested in perpetuity and only the income be utilized. There were no permanently restricted net assets at June 30, 2015.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

ST. AUSTIN CATHOLIC PARISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and equipment

SACP has recorded a substantial portion of its property and equipment at an estimated cost instead of the actual historical cost. In addition, depreciation is recognized for only those assets related to the parking garage in these financial statements. This method of presentation is not in accordance with generally accepted accounting principles which provides for all property and equipment to be presented at acquisition cost, or fair value on date of receipt if donated, and reduced by accumulated depreciation based on the estimated useful lives of the property.

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 support is reported as an increase in unrestricted net assets if such restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed Services

SACP receives a substantial amount of services donated by its members in carrying out SACP's ministry. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under FASB ASC 958-605, *Not-for-Profit Entities Revenue Recognition*.

ST. AUSTIN CATHOLIC PARISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Income Taxes

SACP is included in March 25, 1914 ruling related to the religious institutions operated, supervised, or controlled by or in connection with the Roman Catholic Church in the United States from the IRS as an Affiliated Organization exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. Date of Inclusion: June 4, 2002. EIN is 74-1295632.

SACP has adopted FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. SACP's federal exempt organization returns for the years ended June 30, 2012, and after are subject to examination by the Internal Revenue Service.

Subsequent Events

Management of SACP has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.

NOTE B - CONCENTRATION OF CREDIT RISK FOR CASH DEPOSITS

Financial instruments that potentially subject SACP to concentrations of credit risk consist principally of cash deposits. Accounts at the credit union used by SACP are insured by the National Credit Union Share Insurance Fund (NCUSIF) up to \$250,000. At June 30, 2015, SACP had \$2,057,873 in excess of NCUSIF insured limits. It is the opinion of management that the solvency of the institution is not of particular concern at this time.

NOTE C - LONG-TERM DEBT

SACP's long term debt is with a related party, the Catholic Diocese of Austin, Texas, through their DIAL Program. A summary of long-term debt at June 30, 2015, follows:

Note payable with an interest rate of 6.83%. Monthly payments of \$14,322, including principal and interest, maturing on July 1, 2018; collateralized by all assets of the SACP.	\$ 2,525,000
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ST. AUSTIN CATHOLIC PARISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE C - LONG-TERM DEBT (Continued)

Note payable with an interest rate of 6.14%. Monthly payments of \$18,286, including principal and interest, maturing on February 15, 2020; collateralized by all assets of the SACP.	891,304
Note payable with an interest rate of 6.14%. Monthly payments of \$3,834, including principal and interest, maturing on February 15, 2020; collateralized by all assets of the SACP.	186,870
Note payable with an interest rate of 7.21%. Monthly payments of \$13,577, including principal and interest, maturing on July 1, 2033; collateralized by all assets of the SACP.	1,633,908
Note payable with an interest rate of 6.14%. Monthly payments of \$3,821, including principal and interest, maturing on February 15, 2020; collateralized by all assets of the SACP.	<u>186,266</u>
Total debt	5,423,348
Less current installments of long-term debt	<u>(292,912)</u>
Long-term debt, excluding current installments	<u><u>\$ 5,130,436</u></u>

Future maturities of long-term debt are as follows as of June 30, 2015:

Year Ended June 30,		
2016	\$	292,912
2017		306,692
2018		326,642
2019		2,870,173
2020		270,760
Thereafter		<u>1,356,169</u>
	\$	<u><u>5,423,348</u></u>

ST. AUSTIN CATHOLIC PARISH
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE D - CAPITAL CAMPAIGN

SACP is currently undergoing a capital campaign to provide funds for projects including refacing the outside structure and making interior renovations of the SACP facilities. SACP has collected \$2,221,677 as of the year ended June 30, 2015, with a goal of \$2,250,000 in contributions.

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Capital Campaign	\$ 2,221,677
Scholarships	<u>50,000</u>
Total	<u><u>\$ 2,271,677</u></u>

NOTE F - LEASE REVENUE

SACP operates a parking garage and multiple retail spaces with terms through November 30, 2021. Revenue is recognized based on the rental agreements, which have varying rates of modest escalation. The total remaining lease receipts under noncancelable leases with lease terms in excess of one year for the next five years and thereafter are as follows

Year Ended June 30,	
2016	\$ 451,396
2017	429,546
2018	441,940
2019	294,298
2020	300,898
Thereafter	<u>271,990</u>
	<u><u>\$ 2,190,068</u></u>

NOTE G - RELATED PARTY TRANSACTIONS

The St. Austin Catholic School (the School), owned and operated by the SACP, pays the SACP for rental space for the School's operations. During the year ended June 30, 2015, the School paid \$17,374, for use of facilities. SACP also provided a subsidy to the School in the amount of \$80,474, during the year ended June 30, 2015, to help keep tuition costs down.

ST. AUSTIN CATHOLIC PARISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE H - RETIREMENT PLAN

SACP offers its lay employees the opportunity for participation in a 401(k) retirement plan. SACP contributes a set amount each year which is allocated among staff based on years of employment and employee compensation. SACP incurred \$12,677 in 401(k) expense during the year ended June 30, 2015.