

FRANCISCAN RENEWAL CENTER, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2023 and 2022

FRANCISCAN RENEWAL CENTER, INC.
FINANCIAL STATEMENTS
AUGUST 31, 2023 and 2022
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BOARD OF DIRECTORS AND MANAGEMENT REPORT

The Franciscan Renewal Center, Inc. is not under any regulatory requirements to prepare audited financial statements; however, the Board of Directors and members of the management team desire to present detailed financial information for informational purposes.

The accompanying statements of financial position of the Franciscan Renewal Center, Inc. as of August 31, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, have been prepared in accordance with generally accepted accounting principles promulgated by the American Institute of Certified Public Accountants.

All information contained in this report is the representation of management. The Finance Committee of the Board of Directors has reviewed and approved the accompanying statements to ensure they are free of material errors and omissions.

We hereby present this information as accurate given our fiduciary responsibility to Franciscan Ministries, Inc., the Franciscan Renewal Center, Inc., and the community at large.

Respectfully submitted the 5th day of September 2023.



Diane Catlin
Fiscal 2023 Board Chair



Steve O'Neill
Fiscal 2023 Treasurer



Charles Brown
Executive Director

FRANCISCAN RENEWAL CENTER, INC.
STATEMENTS OF FINANCIAL POSITION

August 31, 2023 and August 31, 2022

	August 31, 2023	August 31, 2022
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 3,289,275	\$ 2,447,388
Cash for specified purposes	358,319	293,565
Accounts receivable, net	157,226	103,008
Pledges receivable, purpose and time restricted, net	4,365	6,305
Pledges receivable, time restricted, net	560,482	531,116
Inventories	18,414	10,696
Prepaid expenses	42,629	108,518
TOTAL CURRENT ASSETS	4,430,710	3,500,596
<i>Non-current Assets</i>		
Cash for specified capital expenditures	563,483	721,761
Pledges receivable, purpose and time restricted, net	3,937	9,128
Pledges receivable, time restricted, net	999,431	885,085
Investments - Endowment	5,680,322	5,196,807
Investments - Other	1,212,256	1,076,219
Property and equipment	34,018,351	32,671,442
Construction in process, without donor restriction	79,248	-
Construction in process, with donor or grant restriction	138,318	452,648
Accumulated depreciation	(13,615,808)	(12,398,385)
TOTAL NON-CURRENT ASSETS	29,079,538	28,614,705
TOTAL ASSETS	\$ 33,510,248	\$ 32,115,301
LIABILITIES AND NET ASSETS		
<i>Current Liabilities</i>		
Accounts payable	\$ 57,518	\$ 70,492
Accrued liabilities	132,313	150,520
Deferred income	270,433	218,732
Compensated absences	11,201	16,698
TOTAL CURRENT LIABILITIES	471,465	456,442
<i>Net assets</i>		
<i>Without Donor Restrictions</i>		
General, undesignated reserves	3,036,079	2,199,523
Board designated - general investments	633,728	583,224
Board designated - capital/contingency reserves	578,528	492,995
Property and equipment	20,402,543	20,273,057
Construction in process	79,248	-
TOTAL WITHOUT DONOR RESTRICTIONS	24,730,126	23,548,799
<i>With Donor Restrictions</i>		
Donor restricted	661,187	776,356
Pledges restricted by time	1,559,913	1,416,201
Campaign related, net	268,917	268,048
Construction in process subject to restrictions	138,318	452,648
Endowment	5,680,322	5,196,807
TOTAL WITH DONOR RESTRICTIONS	8,308,657	8,110,060
TOTAL NET ASSETS	33,038,783	31,658,859
TOTAL LIABILITIES AND NET ASSETS	\$ 33,510,248	\$ 32,115,301

See Notes to Financial Statements

FRANCISCAN RENEWAL CENTER, INC.
STATEMENTS OF ACTIVITIES

For the fiscal years ended August 31, 2023 and August 31, 2022

	2023		2022	
	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions
	Total		Total	
SUPPORT REVENUES				
Liturgical/church operations	\$ 1,288,266	\$ -	\$ 1,288,266	\$ -
Hosted services (meetings and conferences)	2,172,674	-	2,172,674	-
Sponsored programs (adult education, FIA, and counseling)	174,415	-	174,415	-
Fundraising	882,726	1,348,258	2,230,984	1,464,646
Fundraising - change in pledges	-	136,581	136,581	-
Contribution - water well drilling efforts (2023) and solar panels (2022)	-	76,603	76,603	-
Other revenues	120,902	-	120,902	-
TOTAL SUPPORT REVENUES	4,638,983	1,561,442	6,200,425	1,657,284
OTHER REVENUES/(RELEASED FUNDS), net of fees				
Government grant contribution (ERTC, with interest)	761,886	-	761,886	-
Unrealized gains/(losses) on securities	212,338	528,028	740,366	(191,560)
Realized (losses)/gains on securities	(61,624)	115,384	53,760	3,108
Distribution from permanent endowments	220,978	(220,978)	-	213,590
Distribution from board designated general	(20,552)	-	(20,552)	(18,084)
Interest/dividends on restricted cash balances	-	19,725	19,725	-
Investment management fees	(9,199)	(36,041)	(45,240)	(9,088)
Interest/dividends on investments	15,074	91,122	106,196	25,521
Net assets released from restrictions	1,860,085	(1,860,085)	-	2,317,208
TOTAL OTHER REVENUES, net of fees	2,978,986	(1,362,845)	1,616,141	(3,379,401)
TOTAL REVENUES	7,617,969	198,597	7,816,566	(1,038,706)
OPERATING EXPENSES				
Liturgical/church operations	1,447,348	-	1,447,348	-
Hosted services (meetings and conferences)	1,916,589	-	1,916,589	-
Sponsored programs (adult education, FIA, and counseling)	729,004	-	729,004	-
General administration	468,159	-	468,159	-
Fundraising - vision sustainability	658,119	-	658,119	-
TOTAL OPERATING EXPENSES	5,219,219	-	5,219,219	-
OTHER EXPENSES				
Depreciation expense	1,217,423	-	1,217,423	-
TOTAL OTHER EXPENSES	1,217,423	-	1,217,423	-
TOTAL EXPENSES	6,436,642	-	6,436,642	-
CHANGES IN NET ASSETS	1,181,327	198,597	1,379,924	(1,722,117)
NET ASSETS, BEGINNING OF PERIOD	23,548,799	8,110,060	31,658,859	22,493,793
NET ASSETS, END OF PERIOD	\$ 24,730,126	\$ 8,308,657	\$ 33,038,783	\$ 23,548,799
			\$ 4,357,028	\$ 8,110,060
			1,312,885	1,312,885
			1,312,885	-
			5,669,913	-
			1,055,006	(1,722,117)
			22,493,793	9,832,177
			\$ 23,548,799	\$ 8,110,060
			\$ 4,357,028	\$ 4,357,028
			1,240,991	-
			1,561,347	-
			625,843	-
			414,394	-
			514,453	-
			1,038,706	-
			5,002,802	1,240,991
			1,561,347	1,561,347
			625,843	625,843
			414,394	414,394
			514,453	514,453
			1,038,706	1,038,706
			5,002,802	5,002,802

FRANCISCAN RENEWAL CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the fiscal year ended August 31, 2023

	Program services			Supporting services			Total supporting services	Total expenses
	Liturgical and Church Operations	Hosted Services (Meetings and Conferences)	Sponsored Programs (Adult Education, FIA, and Counseling)	Total program services	General administration	Fundraising		
OPERATING EXPENSES								
Personnel, including friars and lay staff	\$ 804,683	\$ 838,292	\$ 346,298	\$ 1,989,273	\$ 226,538	\$ 418,017	\$ 644,555	\$ 2,633,828
Lay salaries and wages	64,355	4,827	32,178	101,360	27,351	32,178	59,529	160,889
Friar compensation and benefits	121,406	156,440	64,665	342,511	45,541	60,253	105,794	448,305
Employee benefits	82,716	198,716	104,709	386,141	24,423	8,550	32,973	419,114
Professional, contract services and instructor costs	11,346	246,728	22,821	280,895	2,954	8,861	11,815	292,710
Food, beverages and underlying supplies	42,444	132,320	11,989	186,753	21,222	4,244	25,466	212,219
Utilities	10,153	106,681	9,666	126,500	2,680	2,453	5,133	131,633
Housekeeping supplies and other costs	33,150	27,980	7,597	68,727	1,052	30,213	31,265	99,992
Solidarity Contribution	24,728	93,016	8,428	126,172	5,950	1,214	7,164	133,336
Maintenance and repairs	44,854	18,268	12,817	75,939	7,637	4,575	12,212	88,151
Equipment, materials and supplies	2,981	15,981	21,723	40,685	1,491	7,741	9,232	49,917
Advertising (marketing and promotional items)	87,507	-	-	87,507	-	-	-	87,507
Other program-related costs	29,239	58,478	29,239	116,956	20,467	8,772	29,239	146,195
Insurance	-	-	-	-	10,910	2,991	13,901	13,901
Training, transportation and software costs	-	-	-	-	1,947	11,322	13,269	60,829
Printing and copier	22,251	3,894	21,415	47,560	-	20,932	20,932	20,932
Cultivation and fundraising events	-	5,846	9,354	18,707	1,169	3,507	4,676	23,383
Telephone	2,496	7,488	14,976	24,960	1,497	23,461	24,958	49,918
Banking fees	38,093	879	6,602	45,574	60,234	6,602	66,836	112,410
Staff development and volunteer-related items	227	755	4,527	5,509	755	2,233	2,988	8,497
Postage	10,340	-	-	10,340	854	-	854	11,194
Association dues and publications	10,872	-	-	10,872	-	-	-	10,872
Diocesan assessment	-	-	-	-	3,487	-	3,487	3,487
Miscellaneous	-	-	-	-	-	-	-	-
TOTAL OPERATING EXPENSES	\$ 1,447,348	\$ 1,916,589	\$ 729,004	\$ 4,092,941	\$ 468,159	\$ 658,119	\$ 1,126,278	\$ 5,219,219
OTHER EXPENSES								
Depreciation	243,485	814,884	73,835	1,132,204	60,871	24,348	85,219	1,217,423
TOTAL OTHER EXPENSES	\$ 243,485	\$ 814,884	\$ 73,835	\$ 1,132,204	\$ 60,871	\$ 24,348	\$ 85,219	\$ 1,217,423
TOTAL ALL-INCLUSIVE EXPENSES	\$ 1,690,833	\$ 2,731,473	\$ 802,839	\$ 5,225,145	\$ 529,030	\$ 682,467	\$ 1,211,497	\$ 6,436,642

FRANCISCAN RENEWAL CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the fiscal year ended August 31, 2022

	Program services				Supporting services			Total expenses
	Liturgical and Church Operations	Hosted Services (Meetings and Conferences)	Sponsored Programs		General administration	Fundraising	Total supporting services	
			Education, FIA, and Counseling)	Total program services				
OPERATING EXPENSES								
Personnel, including friars and lay staff	\$ 731,318	\$ 731,521	\$ 301,250	\$ 1,764,089	\$ 172,505	\$ 301,412	\$ 473,917	\$ 2,238,006
Lay salaries and wages	81,374	6,103	40,687	128,164	34,584	40,687	75,271	203,435
Friar compensation and benefits	111,093	134,604	60,102	305,799	38,013	48,551	86,564	392,363
Employee benefits	62,422	128,449	71,558	262,429	18,537	5,606	24,143	286,572
Professional, contract services and instructor costs	6,736	169,039	14,989	190,764	1,979	5,936	7,915	198,679
Food, beverages and underlying supplies	40,528	126,572	11,223	178,323	20,261	4,053	24,314	202,637
Utilities	7,232	81,324	7,211	95,767	1,861	1,776	3,637	99,404
Housekeeping supplies and other costs	33,152	27,981	7,598	68,731	1,052	30,215	31,267	99,998
Solidarity Contribution	15,322	60,344	5,351	81,017	3,786	865	4,651	85,668
Maintenance and repairs	43,693	11,659	10,663	66,015	5,832	3,370	9,202	75,217
Equipment, materials and supplies	2,035	7,935	16,223	26,193	1,017	9,648	10,665	36,858
Advertising (marketing and promotional items)	34,808	-	-	34,808	-	-	-	34,808
Other program-related costs	28,827	57,653	28,827	115,307	20,179	8,648	28,827	144,134
Insurance	-	-	-	-	4,353	7,337	11,690	11,690
Training, transportation and software costs	16,752	3,627	19,946	40,325	1,813	4,315	6,128	46,453
Printing and copier	-	-	-	-	-	16,980	16,980	16,980
Cultivation and fundraising events	-	7,503	12,004	24,009	1,501	4,502	6,003	30,012
Telephone	1,999	5,997	11,994	19,990	1,199	18,791	19,990	39,980
Banking fees	246	-	-	246	77,312	-	77,312	77,558
Staff development and volunteer-related items	311	1,036	6,217	7,564	1,036	1,761	2,797	10,361
Postage	9,363	-	-	9,363	1,199	-	1,199	10,562
Association dues and publications	9,288	-	-	9,288	-	-	-	9,288
Diocesan assessment	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	6,375	-	6,375	6,375
TOTAL OPERATING EXPENSES	1,240,991	1,561,347	625,843	3,428,181	414,394	514,453	928,847	4,357,028
OTHER EXPENSES								
Depreciation	262,577	880,344	78,062	1,220,983	65,644	26,258	91,902	1,312,885
TOTAL OTHER EXPENSES	262,577	880,344	78,062	1,220,983	65,644	26,258	91,902	1,312,885
TOTAL ALL-INCLUSIVE EXPENSES	1,503,568	2,441,691	703,905	4,649,164	480,038	540,711	1,020,749	5,669,913

FRANCISCAN RENEWAL CENTER, INC.

STATEMENTS OF CASH FLOWS

For the fiscal years ended August 31, 2023 and August 31, 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Changes in net assets	\$ 1,379,924	\$ (667,111)
Adjustments to reconcile net assets to net cash provided by operating activities:		
Realized (gains) losses on sales on securities	(53,760)	47,911
Unrealized (gains) losses on securities	(740,366)	1,094,776
Depreciation expense	1,217,423	1,312,885
Net (decrease) increase in certain donor restricted net assets		
Donations for specified operational activities	(31,996)	(18,446)
Ministerial restricted donations, including program grants	63,382	15,029
Grants and donations restricted to capital improvements	(144,634)	(110,379)
(Increase) decrease in assets:		
Accounts receivable	(54,218)	(30,150)
Inventories	(7,718)	1,038
Prepaid expenses	65,889	(78,706)
Pledges receivable, without restrictions, net	(143,712)	172,750
Pledges receivable, with restrictions, net	7,131	9,136
Increase (decrease) in liabilities:		
Accounts payable	(12,974)	(2,993)
Accrued liabilities	(18,207)	(5,837)
Deferred income	51,701	(78,784)
Other liabilities	(5,497)	(13,889)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,572,368</u>	<u>1,647,230</u>
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES		
Capital expenditures	(710,859)	(379,422)
Construction in process subject to grant or donor requirements	(242,690)	(1,052,134)
Purchases of investments	(1,438,117)	(4,522,511)
Proceeds from sales of investments	2,187,213	3,392,011
(Increase) decrease in investments	(619,552)	1,050,642
NET CASH USED IN INVESTING ACTIVITIES	<u>(824,005)</u>	<u>(1,511,414)</u>
NET INCREASE IN CASH	748,363	135,816
CASH AT BEGINNING OF YEAR	3,462,714	3,326,898
CASH AT END OF PERIOD	<u>\$ 4,211,077</u>	<u>\$ 3,462,714</u>
RECONCILIATION OF CASH TO STATEMENT OF FINANCIAL POSITION:		
	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 3,289,275	\$ 2,447,388
Cash for specified purposes	358,319	293,565
Cash for specified purposes - long term	563,483	721,761
TOTAL CASH ON STATEMENT OF FINANCIAL POSITION	<u>\$ 4,211,077</u>	<u>\$ 3,462,714</u>

See Notes to Financial Statements

FRANCISCAN RENEWAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

FRANCISCAN RENEWAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE A – ORGANIZATION

The Franciscan Renewal Center, Inc. (hereafter referred to as “the Center”) is incorporated for the purpose of being a Christ-centered place that provides the environment and resources for God to work through people. Grounded in the Gospel concepts of peace, justice and human dignity, the Center is committed to living the Gospel through education, healing, hospitality, and faith in action. The Center provides an active spiritual worship location for a Catholic community, formed by Franciscan tradition and values, and rooted in Sacred Scripture and united in the worship of God through liturgical celebration and prayer, both contemplative and communal. Spiritual growth heals, transforms, and moves all beyond themselves in service of others.

The Center, located in Scottsdale, Arizona, with a primary market in metropolitan Phoenix and throughout the United States for its hosted and retreat sector, is a not-for-profit religious organization under section 501(c)(3) of the Internal Revenue Code. It is exempt from federal income taxes under the Internal Revenue Code of 1986, as amended, through a group ruling which is renewed on an annual basis and applies to all entities listed in the Official Catholic Directory. Bequests, legacies, transfers, or gifts to the Center are deductible for income and estate tax purposes.

On May 19, 2022, the Bylaws for the Center were modified with Franciscan Ministries, Inc. (“FM”) being appointed as the sole voting Trustee. The Provincial, Vicar and members of the Definitorium of the Province of Saint Barbara of the Franciscan Friars were the previous Trustees of the Center and they voted unanimously for the change to FM. Consistent with its own Bylaws, FM leadership is a combination of friar and lay professionals appointed by the Provincial, Vicar, and Definitorium of the existing Province of Saint Barbara.

One of the key reasons for appointing FM as the sole Trustee was to facilitate a smooth transition during the unification efforts underway whereby six existing Franciscan Provinces in the US (initially including the Province of Saint Barbara) will be creating a new Province for all six to join. That unification effort is expected to culminate in the creation of the new Province in October 2023 with new Provincial leadership initially appointed by Rome. Effective July 2023, the Province of Saint Barbara, including the operations of the Center, has delayed entering the new Province.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Center have been prepared using the accrual method of accounting in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Center to report information regarding its financial position and activities according to the following net asset classifications: net assets without donor restrictions and net assets with donor restrictions.

Cash and Cash Equivalents - The Center considers all highly liquid investments with an original maturity of three months or less at date of acquisition to be cash equivalents.

Cash Held for Specific Purposes – Certain funds have been received and restricted by the donors for specified efforts. All cash for these efforts, including some remaining donations from the 2011 capital campaign, specified grants, and other donor restricted and/or specified

FRANCISCAN RENEWAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

purposes, has been segregated and maintained in insured depository accounts as of August 31, 2023, for use as specified by the underlying restrictions.

Accounts Receivable - All accounts receivable are reported based on the amount of the billed contractual invoices or other underlying agreements. After 90 days, trade receivables are reviewed for collections. Those deemed not to be collectible are transferred to a reserve account, reducing the underlying revenue. For other receivables, when deemed uncollectible, the amounts are immediately charged to the underlying income or expense account, based on the initial entry for the receivable for appropriate matching.

Pledges Receivable – On-going fundraising efforts support all areas of operations, capital needs, and legacy. The Center classifies Pledges receivable as current (receivable in less than one year), long-term (receivable in one to five years) and extended long-term (receivable in more than five years). All pledges receivable amounts are reported based on the amount per the written agreement with each individual donor. All pledges are regularly reviewed for collectability. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Pledges for unrestricted purposes that extend beyond one year are classified as pledges receivable, with restrictions, as the payments are restricted by the donor as to the timing of those payments.

Inventories - Inventories, consisting primarily of food served in the dining room, are stated at the lower of cost or market. Cost is determined by the average cost method, which approximates the first-in, first-out method.

Investments - Investments are reported at fair value in the statements of financial position. Realized gains and losses on sales of investments are determined on a specific cost identification method. Unrealized gains and losses are determined based on year-end market value fluctuations. The Center follows the practice of widely diversifying its investments to mitigate concentrations of credit risk. Investment income or loss (including realized and unrealized gains and losses, net of investment expenses) is included in the change in net assets with or without donor restrictions in the statements of activities, based on the underlying investments as to the existence of restrictions by donor or law.

Risk and uncertainty – The Center invests in several types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amount reported in the statements of financial position.

Property and Equipment – The initial property acquisition was first capitalized on July 1, 1980 via a transfer from the Board of Trustees of the Province of Saint Barbara. At that time, substantially all property and equipment were recorded at either estimated or actual cost on the date of their initial acquisition.

Acquisitions of property and equipment and other improvements in excess of \$1,000 are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the respective assets.

Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and gains and losses are included in operations.

All construction activities have remained debt free.

FRANCISCAN RENEWAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
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Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Deferred Income - The Center accepts reservations and deposits for educational programs, meetings, conferences, and events throughout the year. Deferred income represents amounts received under agreement or program registrations in advance of the period in which these services will be provided.

Net Assets - The Center reports information regarding its financial position and activities according to two classes of net assets as follows:

- Net Assets without donor restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for operating reserves and board-designated general funds.
- Net Assets with donor restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Gifts of long-lived assets and gifts of cash restricted for acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources was restricted has been fulfilled, or both.

Donated Assets – Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Donated Services - A substantial number of unpaid volunteers make significant contributions of services to the Center. Contributions of donated services are recorded at fair value if they create or enhance non-financial assets, require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donated services. The center estimates that over 10,000 hours of volunteer hours exist each fiscal year. No value has been recorded for these services in the accompanying financial statements as these volunteer services do not meet the recognition criteria.

Revenue Recognition - The Center's revenues are recorded as follows:

Contracted or fee revenues are recognized in the month the service is provided.

The Center maintains a one-year renewable operating lease with an independently owned and unrelated business to operate a gift shop on the Center's property for the benefit of the Center's visitors. This entity provides religious books and products, and the underlying rental income is recorded during each month of operation for that specific month.

Contributions - Contributions received or pledged are recorded as either support with donor restrictions or as support without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. All donor-restricted support is reported as an increase in

FRANCISCAN RENEWAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. It is the Center's policy to consistently apply this method for all gifts, including donor restricted gifts to be used in the year the contribution was received. Underlying income on invested or deposited funds with donor restrictions were reported as donor restricted investment income.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Amounts associated with conditional promises to give via wills or other planned giving directives are not included in these financial statements.

Support Revenues – For presentation purposes, support revenues are derived from recurring operational activities of the Center and include the following:

Contribution Revenues:

- Liturgy/church operations, including friar services: These include the liturgical revenues, such as Mass donations, of the local worship community.
- Fundraising – sustainability (operational) and events: The Center expenses operational fundraising costs as expended.

Earned revenues from contractual obligations, program fees, or sales:

- Hosted services (meetings and conferences): These include revenues from non-profit groups being hosted by the Center.
- Sponsored programs (adult education, faith in action or FIA, and counseling): These include revenues from adult education (including retreats, programs, workshops, classes, and private retreats), FIA events or sales, and counseling services.

The accounts receivable and deferred revenue related to exchange transaction revenue (hosted and sponsored programs) as of August 31 were as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Accounts receivable, net	\$ 151,383	\$ 82,116	\$ 48,322
Deferred revenue	\$ 270,433	\$ 218,732	\$ 297,516

Investment Related Revenues and Expenses - Gross realized gains and losses are recognized using the specific identification method. Interest and dividends are recognized when earned. Distributions from the endowment investments and the distribution from the unrestricted board designated funds are calculated at four percent (4%) of the average of the prior three-year ending balances of the investments and are recognized as income. All management fees are charged to the investment expenses. All activities are reflected without donor restriction or with donor restriction, depending on the underlying categorization of each investment.

Functional Allocation of Expenses – The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program services and supporting services. Direct expenses incurred are charged specifically to each program service or supporting activity category as applicable. Certain employee positions are allocated based on time and effort. Any program expenses that are not directly chargeable to a program are allocated based on units of service or participation levels. Joint support costs, such as certain administrative staff costs, general Center marketing

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and other items, that are shared between program services and supporting activities are allocated based on prescribed indirect cost allocations applicable to each expense category.

Income Tax Status – The Center qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and, accordingly, there is no provision for income taxes. Income determined to be unrelated business taxable income (UBTI) would be taxable. During the years ended August 31, 2023 and 2022, the Center had no unrelated business income.

The Center evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of any required tax filings, and discussions with outside experts. The Center was not aware of any unidentified or undisclosed tax obligations for the years ended August 31, 2023 and 2022.

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Reclassifications - Certain items have been reclassified to conform to the current year’s presentation.

NOTE C – FAIR VALUE MEASUREMENT

Accounting Standards establish a framework for measuring fair value which provides fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

FASB ASC 820-10 establishes a three-level disclosure hierarchy to indicate the level of judgment used to estimate fair value measurements.

Level 1 – Quoted prices in active markets for identical assets or liabilities as of the reporting date.

Level 2 – Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; and inputs other than quoted prices (such as interest rate and yield curves).

Level 3 – Uses inputs that are unobservable, supported by little or no market activity and reflect significant management judgment.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

For the year ended August 31, 2023, the Center’s investments were measured at fair value on a recurring basis, as follows:

	Level 1	Level 2	Level 3	Total
Cash funds	\$ 399,716	\$ -	\$ -	\$ 399,716
Equity securities	5,553,757	-	-	5,553,757
Debt securities	939,105	-	-	939,105
Total Investments	<u>\$ 6,892,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,892,578</u>

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For the year ended August 31, 2022, the Center's investments were measured at fair value on a recurring basis, as follows:

	Level 1	Level 2	Level 3	Total
Cash funds	\$ 302,601	\$ -	\$ -	\$ 302,601
Equity securities	4,936,337	-	-	4,936,337
Debt securities	<u>1,034,088</u>	-	-	<u>1,034,088</u>
Total Investments	<u>\$ 6,273,026</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,273,026</u>

NOTE D – CONCENTRATION OF CREDIT RISK, NON-PROFIT ACTIVITY, AND OTHER UNCERTAINTIES

Franciscan Ministries, Inc. serves as the sole voting Trustee for the Center. While independently incorporated, the existence of this oversight, while not noted in the Center's history, could result in changes in net assets or financial position of the Center. The Province of Saint Barbara initiated participation in an operational unification process with other Provinces in the United States. However, effective July 2023, the Province of Saint Barbara, including the operations of the Center, has delayed entering the new Province. The impact of the delay and/or future amalgamation on the Center is uncertain.

The Franciscan Friars, Province of Saint Barbara, currently face litigious matters. While the Center has not been named in the matters, legal advisors have been secured to assist in maintaining the Center's operational independence. Any estimates for legal fees or financial loss remains uncertain. The Center anticipates further information and estimated outcomes over the next one to two years.

The Center is committed to providing a religious retreat facility, maintaining a church with daily and weekly services, and assisting the less fortunate. The Center received ordinary support from hosted events of other non-profit groups with missions in alignment with the Center's vision, education programs, investment income, donations, and other gifts.

The Center depends heavily on contributions, grants, and other non-profit groups for its revenue to support operational and program expenses. The ability of the Center's contributors, grantors, and non-profit groups to continue providing amounts comparable with prior years may be dependent upon current and future economic conditions and the continued deductibility for income tax purposes of contributions and grants to the Center. While the Center's Board of Directors believes the Center has the resources to continue its programs, the ability to do so and the extent to which it continues may be dependent on the preceding factors.

The Center is further affected by the numbers and composition of the local Franciscan and community populations as well as general economic fluctuations.

The Center maintains its cash in bank accounts, which at times may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances. While the Center maintains written pledge agreements, there is no guarantee of the ultimate collection or enforceability of these pledges.

NOTE E – ACCOUNTS RECEIVABLE

Accounts Receivable are shown net of an allowance for uncollectible trade receivables of \$7,743 and \$4,200 at August 31, 2023 and 2022, respectively. The amounts shown include loans due from employees which consisted of \$845 and \$11,700 at August 31, 2023 and 2022, respectively.

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NOTE F – PLEDGES RECEIVABLE

Pledge categories are each reported net of the related allowance for uncollectible pledge receivables and the underlying discount. The reserve for pledges is based on 3% to 5% of the annual expected pledges with the reserve percentage escalating for the pledges of a longer term. The long-term pledge receivables (those receivables exceeding one year), have been presented at present value of the future cash flows using a discounted rate of 10.5% and 7.5%, as of August 31, 2023 and 2022, respectively, which represents the *Wall Street Journal* Prime Lending Rate at the close of each fiscal year, plus 2%.

Pledges receivable consisted of the following at August 31, 2023:

	Pledges receivable, purpose and time <u>restricted</u>	Pledges receivable, time <u>restricted</u>	Total Pledges receivable
<i>Current</i>			
Gross receivables	\$ 4,500	\$ 577,816	\$ 582,316
Less allowance for uncollectible pledges	<u>(135)</u>	<u>(17,334)</u>	<u>(17,469)</u>
<i>Total current</i>	\$ 4,365	\$ 560,482	\$ 564,847
<i>Long-term, to five years</i>			
Gross receivables	\$ 4,500	\$ 1,321,980	\$ 1,326,480
Less allowance for uncollectible pledges	(135)	(111,410)	(111,545)
Less unamortized discount at 10.5%	<u>(428)</u>	<u>(223,202)</u>	<u>(223,630)</u>
<i>Total long-term, to five years</i>	\$ 3,937	\$ 987,368	\$ 991,305
<i>Extended long-term, exceeding five years</i>			
Gross receivables	\$ -	\$ 23,500	\$ 23,500
Less allowance for uncollectible pledges	-	(1,175)	(1,175)
Less unamortized discount at 10.5%	<u>-</u>	<u>(10,262)</u>	<u>(10,262)</u>
<i>Total long-term, exceeding five years</i>	\$ -	\$ 12,063	\$ 12,063
<i>Total long-term receivables</i>	<u>\$ 3,937</u>	<u>\$ 999,431</u>	<u>\$ 1,003,368</u>
TOTAL NET PLEDGES RECEIVABLE	<u><u>\$ 8,302</u></u>	<u><u>\$ 1,559,913</u></u>	<u><u>\$ 1,568,215</u></u>

Pledges receivable consisted of the following at August 31, 2022:

	Pledges receivable, purpose and time <u>restricted</u>	Pledges receivable, time <u>restricted</u>	Total Pledges receivable
<i>Current</i>			
Gross receivables	\$ 6,500	\$ 547,542	\$ 554,042
Less allowance for uncollectible pledges	<u>(195)</u>	<u>(16,426)</u>	<u>(16,621)</u>
<i>Total current</i>	\$ 6,305	\$ 531,116	\$ 537,421
<i>Long-term, to five years</i>			
Gross receivables	\$ 19,500	\$ 1,111,767	\$ 1,131,267
Less allowance for uncollectible pledges	(9,315)	(133,899)	(143,214)

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Less unamortized discount at 7.5%	<u>(1,057)</u>	<u>(133,370)</u>	<u>(134,427)</u>
<i>Total long-term, to five years</i>	\$ 9,128	\$ 844,498	\$ 853,626
<i>Extended long-term, exceeding five years</i>			
Gross receivables	\$ -	\$ 68,300	\$ 68,300
Less allowance for uncollectible pledges	-	(3,415)	(3,415)
Less unamortized discount at 7.5%	<u>-</u>	<u>(24,298)</u>	<u>(24,298)</u>
<i>Total long-term, exceeding five years</i>	\$ -	\$ 40,587	\$ 40,587
<i>Total long-term receivables</i>	\$ 9,128	\$ 885,085	\$ 894,213
TOTAL NET PLEDGES RECEIVABLE	<u>\$ 15,433</u>	<u>\$ 1,416,201</u>	<u>\$ 1,431,634</u>

NOTE G – LIQUIDITY AND AVAILABILITY

The following reflects the Center's financial assets as of August 31, 2023, reduced by amounts not available for general use within one year because of donor-imposed or other restrictions or internal designations. Amounts available include the Board-approved appropriation from the endowment funds for the following year as well as donor-restricted amounts that are available for expenditure in the following year for program activities. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Center approves that action.

Financial assets available for expenditure were as follows at August 31:

	<u>2023</u>	<u>2022</u>
Current assets, net of prepaid expenses	\$ 4,388,081	\$ 3,392,078
Unrestricted investments	1,212,256	1,076,219
Endowment spending appropriation	<u>228,126</u>	<u>220,978</u>
Financial assets available for expenditure	<u>\$ 5,828,463</u>	<u>\$ 4,689,275</u>

The Center's endowment funds consist only of donor-restricted endowments. The corpus (or original donations) for the donor-restricted endowments remains less than the market value of the underlying investments. While endowments are not available for general expenditure, the Center's endowments of \$5,680,322 are subject to an annual spending rate of 4%. Although the Center does not intend to spend in excess of the annual appropriation from these donor-restricted endowments, the spending policy may change, if necessary.

The Center maintained two board designated funds, which both require Board approval for distribution. The first relates to general investments. For the years ended August 31, 2023 and August 31, 2022, the Center's governing Board approved distributions from these funds using the same spending policy as that of the Center's endowment, which resulted in distributions to support general operations of \$20,552 and \$18,084, respectively. The second relates to capital and contingency reserves. Although the Center does not intend to spend in excess of the annual appropriation from these Board designated funds, these amounts could be made available if necessary and in line with the intentions of each fund.

The Center's working capital and cash flows have seasonal variations during the year attributable to the decreased guest occupancy for meetings and conferences and declining church participation during the summer months. Conversely, the Center experiences a concentration of contributions received near calendar year end. Monthly cash outflows vary each year based on operational and construction activities. Typically, operational outflows fluctuate based on participation levels and underlying utility and other on-going operational needs.

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NOTE H - INVESTMENTS AND ENDOWMENTS

In September 2008, the State of Arizona enacted ARS §10-11801 et seq Investments for Eleemosynary Purposes (IFEP). The Board of Directors of the Center understands that the IFEP requires the preservation of the fair value of the original gift as of the gift date of the endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Center classifies these donations in perpetuity as net assets with donor restrictions. For gifts given without restriction, the Board may designate these funds to a reserve. These Board designated funds remain as Board designated net assets without donor restriction, in a manner consistent with the standard of the prudence prescribed by IFEP.

The Center maintains its primary investments with one national investment management company. Additional funds were held and managed by two local foundations which consisted of the following at August 31:

	<u>2023</u>	<u>2022</u>
Catholic Community Foundation	<u>\$ 158,111</u>	<u>\$ 149,015</u>
Arizona Community Foundation	<u>\$ 32,669</u>	<u>\$ 31,293</u>

Endowments:

Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Investment Return Objectives, Risk Parameters and Strategies:

To achieve its investment objectives over long periods of time, the Center has adopted an investment policy under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective July 28, 2010. Along with IFEP, UPMIFA provides uniform and fundamental rules for the prudent investment of funds held by charitable institutions and the expenditure of funds donated as endowments to those institutions.

To comply with all UPMIFA and IFEP requirements, the Center has adopted an investment policy for endowment assets that seeks to provide a predictable stream of funding to programs supported by its endowments while maintaining the purchasing power of the endowment assets. Actual returns in any given year may vary. The portfolio is diversified both as to fixed income and equity holdings; the purpose of such diversification is to provide reasonable assurances that no single security or class of securities will have a disproportionate impact on the total portfolio. Based on the Center's policy, 25% to 75% of the portfolio is to be invested in equity or equity-like investments, while 25% to 40% of the portfolio is to be invested in fixed income investments. Diversification by asset class, investment style, etc. are employed to avoid undue risk concentration and enhance total return. The primary performance objective is reviewed quarterly in comparison to benchmark returns. Due to uncertainties and changes in market conditions during fiscal 2022 and 2023, the Center temporarily went outside the parameters to reduce risk and improve performance. Please see note C for investment holdings.

Spending Policy:

The current spending policy is to distribute an amount equal to 4% of the previous three-year rolling average balance of each fund's assets at market value at the end of each fiscal year to support current operations. Based on the distribution policy, over the long term, the Center expects its endowment assets to increase at a reasonable rate of growth, net of inflation and fees. This is consistent with the Center's objective to maintain the purchasing power of

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endowment assets as well as to provide additional real growth through new gifts and investment returns.

Other Net Assets:

The donor restricted and net campaign related net assets are donor restricted for a specified purpose. Other undesignated reserves are available for use at the discretion of the Executive Director of the Center. These funds are maintained in insured money market accounts and are not included in any of the Investment account balances.

The Investments are recorded at the market value provided by the investment manager or foundation as of August 31 were as follows:

	<u>2023</u>	<u>2022</u>
<i>Investments</i>		
<i>Board Designated General Investments</i>		
Cash/Money market funds	\$ 78,796	\$ 97,367
Equity securities	466,076	401,962
Debt securities	<u>88,856</u>	<u>83,895</u>
<i>Total Board Designated General Investments</i>	<u>\$ 633,728</u>	<u>\$ 583,224</u>
<i>Board Designated Capital/Contingency Reserves</i>		
Cash/Money market funds	\$ 163,135	\$ 77,168
Equity securities	415,393	350,870
Debt securities	<u>-</u>	<u>64,957</u>
<i>Total Board Designated Capital/Contingency</i>	<u>\$ 578,528</u>	<u>\$ 492,995</u>
<i>Endowment</i>		
Cash/Money market funds	\$ 157,785	\$ 128,066
Equity securities	4,672,288	4,183,505
Debt securities	<u>850,249</u>	<u>885,236</u>
<i>Total Endowment</i>	<u>\$ 5,680,322</u>	<u>\$ 5,196,807</u>
TOTAL INVESTMENTS	<u>\$ 6,892,578</u>	<u>\$ 6,273,026</u>

The reconciliation of investments for the years ended August 31 were as follows:

	<u>2023</u>	<u>2022</u>
<i>Board Designated General Investments - Net Assets</i>		
<i>Without Donor Restrictions:</i>		
Beginning Balance	\$ 583,224	\$ 531,432
Contributions/Reclassifications	-	175,000
Realized (losses)gains	(24,833)	3,579
Unrealized gains/(losses)	92,801	(119,423)
Interest and dividends	8,830	16,854
Distributions	(20,552)	(18,084)
Management Fees	<u>(5,742)</u>	<u>(6,134)</u>
Ending Balance	<u>\$ 633,728</u>	<u>\$ 583,224</u>
<i>Board Designated Capital/Contingency Reserve - Net Assets Without Donor Restrictions:</i>		
Beginning Balance	\$ 492,995	\$ 559,890
Realized losses	(36,791)	(471)
Unrealized gains/(losses)	119,537	(72,137)
Interest and dividends	6,244	8,667
Management Fees	<u>(3,457)</u>	<u>(2,954)</u>
Ending Balance	<u>\$ 578,528</u>	<u>\$ 492,995</u>

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<i>Endowment Net Assets with Donor Restrictions:</i>	<u>\$ 5,680,322</u>	<u>\$ 5,196,807</u>
TOTAL INVESTMENTS	<u>\$ 6,892,578</u>	<u>\$ 6,273,026</u>

The following provides the original corpus and accumulated earnings for Endowment funds (all donor restricted) for the years ended August 31, 2023 and 2022:

	With Donor Restrictions- Accumulated earnings	With Donor Restrictions- Original corpus	Total Endowment Fund
Endowment funds, August 31, 2021	<u>\$ 3,392,896</u>	<u>\$ 2,839,450</u>	<u>\$ 6,232,346</u>
Contributions	-	40,299	40,299
Interest and dividends	129,349	-	129,349
Realized losses	(51,019)	-	(51,019)
Unrealized losses	(903,216)	-	(903,216)
Investment fees	(37,362)	-	(37,362)
Amounts appropriated for expenditure	<u>(213,590)</u>	-	<u>(213,590)</u>
Endowment funds, August 31, 2022	<u>\$ 2,317,058</u>	<u>\$ 2,879,749</u>	<u>\$ 5,196,807</u>
Contributions	-	6,000	6,000
Interest and dividends	91,122	-	91,122
Realized gains	115,384	-	115,384
Unrealized gains	528,028	-	528,028
Investment fees	(36,041)	-	(36,041)
Amounts appropriated for expenditure	<u>(220,978)</u>	-	<u>(220,978)</u>
Endowment funds, August 31, 2023	<u>\$ 2,794,573</u>	<u>\$ 2,885,749</u>	<u>\$ 5,680,322</u>

The distribution from the Endowment Net Assets have been recorded into the Net Assets Without Donor Restrictions for operational support. The Distributions from the Board Designated Net Assets are returned to other income to support the operational designation or expenditures as approved by the Board. No distributions have been made from the Board Designated Capital/Contingency Reserves since its inception.

NOTE I – PROPERTY AND EQUIPMENT

Property and equipment as of August 31 was as follows:

	<u>2023</u>	<u>2022</u>
Land and land improvements	\$ 3,645,959	\$ 2,993,126
Building and structural improvements	23,621,516	23,269,340
Equipment and furnishings	<u>6,750,876</u>	<u>6,408,976</u>
Depreciable property and equipment	34,018,351	32,671,442
Less Accumulated depreciation and amortization	<u>(13,615,808)</u>	<u>(12,398,385)</u>
Total Property and Equipment, net, without restrictions	<u>\$ 20,402,543</u>	<u>\$ 20,273,057</u>
Construction in process	<u>\$ 79,248</u>	<u>\$ -</u>
Construction in process, restricted by donors	<u>\$ 138,318</u>	<u>\$ 452,648</u>

The cost applicable to assets sold or retired is removed from the accounts and the gain or loss on disposition is recognized as a component of ordinary income. Depreciation and amortization of property and equipment are computed on a straight-line basis over estimated useful lives of 3 to 40 years and totaled \$1,217,423 and \$1,312,885 for the years ended August 31, 2023 and 2022, respectively.

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During fiscal 2023, gift-in-kind donations of \$76,603 were received for the water well drilling project. These were recorded as fixed assets based on the invoice values of the work performed by the contractors, with the offsetting amount in contribution revenues.

The Center holds various works of art for which values have not been determined for financial statement purposes. Works owned by the Center have been insured. Art may be purchased or donated. When donated, the Center works with the donor to ensure the care and use of the work of art has been fully understood before donations are made. All works of art remain under the watchful care of a volunteer-based fine arts oversight and care group. During 2015, the Center received ownership of a complete volume set of reproduction copies of the Saint John's Bible for care, use and display at the discretion of the Center.

NOTE J – CONSTRUCTION CONTRACTS

During fiscal 2022, the Center signed a contract for the initial well drilling and parking lot. Both projects under contract were completed during fiscal 2023. During fiscal 2023, the Center entered a contract for various survey and planning needs for roadways, parking lots, drainage improvements, water distribution, and general topographic and ALTA (American Land Title Association) surveys. As of August 31, 2023, approximately \$72,600, plus time and materials, remains on the contract. Additionally, less than \$10,000 remains on an open contract to connect electrical power to the well.

NOTE K – EMPLOYEE RETENTION CREDIT

During the year ended August 31, 2023, the Center received funding in the amount of \$761,886 under the Employee Retention Tax Credits (ERTC) program. The ERTC program provides funding to qualifying businesses based on operating results during the pandemic when compared to pre-pandemic levels. The Center qualified for the credits during the last three calendar quarters of 2020 and the first three calendar quarters of 2021. Amended returns were filed and initial payments were adjusted along with tax corrections. As a result, refunds of \$706,162 were received in fiscal 2023 along with interest of \$55,724. Revenues have been recognized and reported as Government Grant Contributions (ERTC) for both the refunded amounts and interest. The Center is subject to possible audit or investigation by the IRS to determine whether the tax credit amounts were used for allowable purposes and whether the Center met the eligibility requirements relating to decreased revenue and/or government shutdown.

NOTE L – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows at August 31:

	<u>2023</u>	<u>2022</u>
Subject to purpose restrictions:		
Dedicated and realized campaign funds	\$ 260,615	\$ 252,615
Donations for specified operational activities	50,047	75,964
Casa improvement donations	302,868	247,930
Ministerial restricted donations	<u>168,477</u>	<u>158,917</u>
Total subject to purpose restrictions	\$ 782,007	\$ 735,426
Subject to both time and purposes restrictions:		
Renovation Grant, remaining funds	\$ -	\$ 207,572
Construction in Process	138,318	452,648
Pledges remaining on campaign	8,302	15,433
Program grants	<u>139,795</u>	<u>85,973</u>
Total subject to both time and purpose restrictions	\$ 286,415	\$ 761,626
Subject to time restrictions:		
Pledges on letters of intent	\$ 1,559,913	\$ 1,416,201

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Endowments – subject to spending policy and appropriation:	<u>\$ 5,680,322</u>	<u>\$ 5,196,807</u>
Total Net Assets with Donor Restrictions	<u>\$ 8,308,657</u>	<u>\$ 8,110,060</u>

Net assets with Donor Restrictions were released by incurring expenses to satisfy the restricted purposes, by occurrence of other events specified by donors, or due to capital assets being placed into service. Net assets were released from donor restriction for the following purposes during the years ended August 31:

	<u>2023</u>	<u>2022</u>
Assets placed into service from restricted grant/funds	\$ 811,873	\$ 1,391,729
Pledges realized for operational support	806,622	706,418
Dedicated and realized campaign funds	-	4,928
Casa improvement donations	63,634	31,200
Ministerial restricted donations	133,141	70,169
Donations for specified operational activities	<u>44,815</u>	<u>112,764</u>
TOTAL DONOR RESTRICTED FUNDS RELEASED	<u>\$ 1,860,085</u>	<u>\$ 2,317,208</u>

NOTE M – CONTINGENT LIABILITY RELEASE AND SOLAR PANEL DONATION

In December 2015, the Center entered into a lease agreement with 15734 Solar, LLC, for solar panels constructed on certain of its buildings. Concurrently, a donor, related to the LLC, agreed to contribute the amount of the monthly lease payment. Should the donor contributions cease, there was to be a continuing obligation for the Center under the lease.

In July, 2022, 15734 Solar, LLC, canceled the lease and dismissed any remaining lease payments. Further, the donor ceased recurring payments. Simultaneously, the solar panels were donated to the Center without further obligation to the Center.

The lease commitment has been removed, as no further obligation or contingent liability remains. The solar panels will remain in service to supplement utility needs. These were recorded as fixed assets based on appraised value, with the offsetting amount in contribution revenues.

NOTE N – RETIREMENT SAVINGS PLAN

The Center provides a retirement savings plan for the benefit of eligible employees. The plan allows eligible employees to defer a portion of their annual compensation, pursuant to Section 403(b) of the Internal Revenue Code. The Center's matching and years-of-service contributions are discretionary as determined by the Center's Board of Directors. The Center's discretionary employer contributions vest to eligible employees as follows:

0-1 Year	0%
2 Years	25%
3 Years	50%
4 Years	75%
5 Years	100%

The Center funded \$39,704 and \$42,070 during the years ended August 31, 2023 and 2022, respectively.

NOTE O – RELATED PARTIES

Through fiscal 2022, the Center had an agreement with the Province of Saint Barbara to provide solidarity contributions. For fiscal 2022, the Center paid \$100,000 for these to the Province. In fiscal 2023, FM modified the agreement to provide solidarity contributions directly

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to FM. During fiscal 2023, the Center paid solidarity contributions of \$58,333 to the Province and \$41,667 to FM.

The Center provides room, board and miscellaneous administrative and retirement expenses for the local Franciscan Friars who work directly with the Center. The Center paid the local friars' living expenses and benefits, including those related to a friar from outside the Center's Province. For the friars within the Province of Saint Barbara, this expense amounted to \$88,541 and \$113,917 for the years ended August 31, 2023 and 2022, respectively. The Center paid the Province of Saint Barbara, on behalf of the local friars, social security and retirement benefits of \$5,554 and \$13,954 for the years ended August 31, 2023 and 2022, respectively. Additionally, the Center paid \$53,682 and \$26,942 to one other Province for a friar who worked at the Center during the years ended August 31, 2023 and 2022, respectively.

During 2023, as part of the proposed amalgamation, the property and liability insurance policies were consolidated nationally for cost savings, with billings allocated within the Province. For this, the Center paid premiums of \$86,585 to the Province of Saint Barbara and \$15,854 to FM based on the allocated billing information provided.

The Center offered healthcare coverage for former friars of the Center or Arizona-based friars. The Province of Saint Barbara reimbursed the Center \$28,509 and \$26,704 during the years ended August 31, 2023 and 2022, respectively, for health insurance premiums paid by the Center for non-resident friars and one friar in formation. During the year ended August 31, 2023, the Old Mission Santa Barbara reimbursed the Center \$5,509 for the health insurance premiums for one friar.

The Center has an agreement to operate a conventual church within the Diocese of Phoenix and provided \$10,997 and \$10,877 in assessments to the Diocese during the years ended August 31, 2023 and 2022, respectively.

In accordance with the Center's Bylaws, the Board of Directors consists of between three to 21 directors. For the year ended August 31, 2023, there were 11 Board members. One lay member serves as the Executive Director of the Center, and one serves as chair and president of FM. Additionally, one local friar serves as Vicar of Our Lady of the Angels Church and one friar serves as a liaison between the Board of Directors and FM.

NOTE P – AGENCY TRANSACTIONS

The Center periodically acted as a fiscal agent on behalf of other organizations. As a fiscal agent, the Center collected cash proceeds on behalf of other organizations and disbursed cash to the organizations managing the general collection efforts of each campaign. Amounts received and paid in agency transactions totaled \$56,815 and \$113,716 for the years ended August 31, 2023 and 2022, respectively. No liability existed for agency transactions at the end of either fiscal year.

NOTE Q – REPORT DATE

These financial statements and notes herein represent activities of the Center through September 5, 2023 and September 6, 2022 for the years ended August 31, 2023 and 2022, respectively. These dates reflect the date for both evaluation of subsequent events and financial statement availability for issuance.

NOTE R – SUBSEQUENT EVENTS

The Center has concluded that no events have occurred since August 31, 2023, that would require an adjustment to or disclosure in the financial statements.