

CENTER FOR PASTORAL LEADERSHIP
FINANCIAL REPORT
JUNE 30, 2021 and 2020

CENTER FOR PASTORAL LEADERSHIP

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Independent Auditors' Report

Board of Trustees
Center for Pastoral Leadership
Cleveland, Ohio

We have audited the accompanying financial statements of Center for Pastoral Leadership (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Pastoral Leadership as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Maloney + Novotny LLC

Cleveland, Ohio
September 15, 2021

CENTER FOR PASTORAL LEADERSHIP

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Percent Change</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 315,935	\$ 352,404	(10.35) %
Agency cash - The Fest	327,935	201,235	62.96
Agency cash - Bishop's Seminary Brunch fund	12,208	11,390	7.18
Accounts receivable - other	25,824	11,528	124.01
Affiliate receivable - Borromeo and St. Mary Seminary	36,109	-	100.00
Rent receivable	49,249	33,076	48.90
Miscellaneous receivable	3,139	3,153	(0.44)
Prepaid insurance	113,939	78,854	44.49
Prepaid expenses	<u>2,132</u>	<u>3,287</u>	(35.14)
Total current assets	886,470	694,927	27.56
PROPERTY AND EQUIPMENT, net of accumulated depreciation	<u>6,657,075</u>	<u>1,593,704</u>	317.71
TOTAL ASSETS	<u>\$7,543,545</u>	<u>\$2,288,631</u>	229.61
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 34,754	\$ 20,439	70.04
Affiliate payable - Borromeo and St. Mary Seminary	-	28,675	(100.00)
Accrued payroll and related taxes	7,571	7,916	(4.36)
Accrued real estate tax	8,378	8,378	-
Unearned rental revenue	4,467	4,472	(0.11)
Security deposits	1,653	1,653	-
Funds held for others - The Fest	327,935	201,235	62.96
Funds held for others - Bishop's Seminary Brunch fund	<u>12,208</u>	<u>11,390</u>	7.18
Total current liabilities	396,966	284,158	39.70
LOAN PAYABLE - Borromeo and St. Mary Seminary	<u>962,336</u>	-	100.00
Total liabilities	1,359,302	284,158	378.36
NET ASSETS			
Without donor restrictions	<u>6,184,243</u>	<u>2,004,473</u>	208.52
TOTAL LIABILITIES AND NET ASSETS	<u>\$7,543,545</u>	<u>\$2,288,631</u>	229.61

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

CENTER FOR PASTORAL LEADERSHIP

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Percent Change</u>
REVENUES			
Rental income	\$ 1,326,954	\$ 1,411,593	(6.00) %
Diocesan contribution - capital	400,000	400,000	-
Diocesan contribution - operating	45,450	41,869	8.55
Contributions - general	1,000	2,290	(56.33)
Contributions - campaign	4,122,178	1,496,471	175.46
Contributed facilities	1,250,000	1,250,000	-
Miscellaneous revenue	<u>73,342</u>	<u>82,508</u>	(11.11)
Total revenues	7,218,924	4,684,731	54.09
EXPENDITURES			
Program services	2,645,865	2,809,784	(5.83)
Management and general	<u>393,289</u>	<u>402,048</u>	(2.18)
Total expenditures	3,039,154	3,211,832	(5.38)
CHANGE IN NET ASSETS	4,179,770	1,472,899	183.78
NET ASSETS WITHOUT DONOR RESTRICTIONS – BEGINNING	<u>2,004,473</u>	<u>531,574</u>	277.08
NET ASSETS WITHOUT DONOR RESTRICTIONS – ENDING	<u>\$ 6,184,243</u>	<u>\$ 2,004,473</u>	208.52

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

CENTER FOR PASTORAL LEADERSHIP

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2021 and 2020

	As of June 30, 2021		
	Program <u>Services</u>	Management and <u>General</u>	<u>Total</u>
Salaries and benefits	\$ 358,645	\$ 207,446	\$ 566,091
Property maintenance	1,074,567	56,556	1,131,123
General office expense		66,787	66,787
Contributed facilities	1,187,500	62,500	1,250,000
Food service	4,009		4,009
Depreciation	21,144		21,144
	<u>\$2,645,865</u>	<u>\$ 393,289</u>	<u>\$3,039,154</u>
Total expenses			

	As of June 30, 2020		
	Program <u>Services</u>	Management and <u>General</u>	<u>Total</u>
Salaries and benefits	\$ 399,741	\$ 214,114	\$ 613,855
Property maintenance	1,184,315	62,333	1,246,648
General office expense		63,101	63,101
Contributed facilities	1,187,500	62,500	1,250,000
Food service	1,546		1,546
Depreciation	36,682		36,682
	<u>\$2,809,784</u>	<u>\$ 402,048</u>	<u>\$3,211,832</u>
Total expenses			

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

CENTER FOR PASTORAL LEADERSHIP

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,179,770	\$ 1,472,899
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	21,144	36,682
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable - other	(14,296)	18,084
Increase in rent receivable	(16,173)	(5,651)
Decrease in miscellaneous receivable	14	850
Increase in prepaid insurance	(35,085)	(3,339)
Decrease (increase) in prepaid expenses	1,155	(2,711)
Increase (decrease) in accounts payable	14,315	(64,177)
Change in affiliate receivable/payable - Borromeo and St. Mary Seminary	(64,784)	47,563
Decrease in accrued payroll and related taxes	(345)	(267)
Decrease in accrued real estate tax	-	(276)
(Decrease) increase in unearned rental revenue	(5)	931
Decrease in deferred revenue	-	(100,000)
Total adjustments	<u>(94,060)</u>	<u>(72,311)</u>
Net cash provided by operating activities	4,085,710	1,400,588
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,084,515)	(1,462,357)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in loan payable - Borromeo and St. Mary Seminary	<u>962,336</u>	<u>-</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(36,469)	(61,769)
CASH AND CASH EQUIVALENTS – BEGINNING	<u>352,404</u>	<u>414,173</u>
CASH AND CASH EQUIVALENTS – ENDING	<u>\$ 315,935</u>	<u>\$ 352,404</u>

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

CENTER FOR PASTORAL LEADERSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization

The Center for Pastoral Leadership (CPL) is a corporation organized in the State of Ohio to operate the Wickliffe campus. CPL charges rent to tenants, other than the Seminaries, based upon formalized lease arrangements. Lease arrangements with the Seminaries are made on an annual basis.

Note 2. Summary of Significant Accounting Policies

The following significant accounting policies have been followed in the preparation of the financial statements:

- A. Basis of Presentation – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. CPL has reported information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

A description of these categories follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor-imposed stipulations.

Net assets with donor restrictions: Net assets from contributions or other inflows that are subject to donor-imposed stipulations that may or will be met either by actions of CPL and/or the passage of time. Also included in this category are net assets from contributions where the use is limited by donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or removed by actions of CPL.

During the 2021 and 2020 fiscal years, no assets met the requirements for designation as net assets with donor restrictions.

- B. Use of Estimates – The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- C. Cash and Cash Equivalents – CPL considers all highly liquid investments, with initial maturities of three months or less, to be cash equivalents. CPL maintains its cash accounts at a national financial institution. The balances, at times, may exceed federally insured limits.
- D. Accounts Receivable – CPL utilizes the allowance method to account for potentially uncollectible receivables. Management estimates an allowance for uncollectible accounts based on their review of delinquent accounts and an assessment of CPL's historical evidence of collections. CPL has provided an allowance for potential uncollectible accounts receivable of \$-0- at June 30, 2021 and 2020.

CENTER FOR PASTORAL LEADERSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2. Summary of Significant Accounting Policies (Continued)

- E. Property and Equipment – CPL capitalizes all purchases or donations of property and equipment exceeding \$5,000 at cost or fair market value at date of donation that are not purchased with the Diocesan capital contribution. Property and equipment are depreciated utilizing the straight-line method over their estimated useful lives ranging from five to fifteen years.

To account for the facilities, CPL records the fair market value of the use of real property and contents as an unconditional contribution from the Bishop of the Diocese of Cleveland, who retains legal title to the assets.

- F. Revenue Recognition – In accordance with professional accounting standards, contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Rental income is generally due and payable monthly.

All contributions are considered without donor restrictions unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. However, donor-restricted contributions whose restrictions are met in the same period are reported as without donor restrictions.

- G. Contributions – Donated items are reflected as contributions at their fair values at the date of contribution. Contributed facilities are recorded as revenue at the fair rental value because CPL receives use of the facilities at no cost. The estimated fair value of the annual rental of the facilities owned by the Diocese of Cleveland and donated to CPL was \$1,250,000 for the years ended June 30, 2021 and 2020. CPL received \$4,122,178 and \$1,496,471 during the years ended June 30, 2021 and 2020, respectively, from the Catholic Community Foundation primarily from the Heart of a Shepherd (HOS) campaign. These funds were used for one component of the HOS campaign which is the renovation of the second floor residence areas for seminarians and resident cleric faculty. The capitalized construction costs for the renovations thus far are included in construction in progress as of June 30, 2021. CPL has construction commitments of \$13.5 million outstanding as of June 30, 2021. Expected total cost of renovations is anticipated to be approximately \$20 million.
- H. Income Taxes – CPL is a not-for-profit entity and has been granted an exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code. CPL is listed in the Official Catholic Directory and, therefore, exempt from filing a federal 990 tax return. CPL believes that it has the appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.
- I. Functional Expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The 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. The expenses that are allocated include property maintenance and contributed facilities, which are allocated based on square footage, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

CENTER FOR PASTORAL LEADERSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2. Summary of Significant Accounting Policies (Continued)

- J. Subsequent Events – CPL has evaluated subsequent events through September 15, 2021, which is the date the financial statements were available to be issued. There are no subsequent events that require disclosure.

Note 3. Property and Equipment

CPL's property and equipment consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Vehicles	\$ 31,757	\$ 31,757
Telephone system	96,860	96,860
Sacred Heart HVAC renovation	107,455	107,455
Aula renovations	265,064	265,064
Video equipment	9,646	9,646
Accounting software	24,125	24,125
Kitchen equipment	82,613	82,613
Construction in progress (second floor renovation)	<u>6,546,872</u>	<u>1,462,357</u>
Total property and equipment	7,164,392	2,079,877
Less: accumulated depreciation	<u>(507,317)</u>	<u>(486,173)</u>
	<u>\$6,657,075</u>	<u>\$1,593,704</u>

Depreciation expense was \$21,144 and \$36,682 for the years ended June 30, 2021 and 2020, respectively.

Note 4. Pension and Annuity Plans

CPL participates in The Diocese of Cleveland's pension plan for eligible lay employees. The plan provides for the vesting of benefits after five years of employment. It is the policy of CPL to fund pension cost accrued. The pension expense was \$37,489 and \$38,527 for the years ended June 30, 2021 and 2020, respectively.

Note 5. Operating Leases

CPL is obligated under various office equipment leases, expiring November 2022. Total expense on all leases was \$7,092 and \$6,727 for the years ended June 30, 2021 and 2020, respectively.

The annual lease payments for operating leases as of June 30, 2021 are as follows:

2022	\$ 5,461
2023	<u>1,086</u>
	<u>\$ 6,547</u>

CENTER FOR PASTORAL LEADERSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 6. Related Party Transactions

CPL is affiliated with various religious organizations. CPL receives a Diocesan contribution to help defray the cost of capital improvements. CPL received capital contributions from the Diocese of \$400,000 for the years ended June 30, 2021 and 2020. CPL also received an operating contribution from the Diocese to help pay current liabilities. For the years ended June 30, 2021 and 2020, CPL received operating contributions from the Diocese of \$45,450 and \$41,869, respectively.

CPL has entered into ongoing lease commitments with Borromeo Seminary and St. Mary Seminary calling for minimum annual rentals to be adjusted periodically. The minimum lease payments as of June 30, 2021 and 2020 were \$10.00 per square foot. For the years ended June 30, 2021 and 2020, Borromeo Seminary paid a base rent of \$510,560 and St. Mary Seminary paid a base rent of \$515,860. To assist with the second floor renovation, CPL borrowed \$462,336 and \$500,000 from Borromeo Seminary and St. Mary Seminary, respectively, for the year ended June 30, 2021. It is anticipated that the repayment of these loans will be funded from the receipts of the HOS campaign.

CPL shares various personnel, space and operating expenses with St. Mary Seminary and Borromeo Seminary. At June 30, 2021, CPL owed Borromeo \$383 and St. Mary Seminary owed CPL \$36,492, for monies advanced to/from CPL. At June 30, 2020, CPL owed Borromeo \$13,946 and St. Mary Seminary \$14,729, for monies advanced to CPL. The advances are non-interest bearing.

Note 7. Commitments

CPL entered into a rental agreement with the Sisters of Notre Dame to lease convent space. Rental income for the years ended June 30, 2021 and 2020 was \$35,940. Rent is renewed on an annual basis.

Prior to occupancy, the Sisters of Notre Dame paid \$159,711 for leasehold improvements that were deemed to have a useful life of 30 years. CPL agreed to reimburse the unamortized portion of improvements to the leased space, in the event that the tenant vacates the premises prior to the end of the useful life of the improvements. At June 30, 2021, the unamortized portion of the improvements was \$108,658.

Note 8. Liquidity and Availability

The table below presents financial assets available for general expenditures within one year at June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$315,935	\$352,404
Accounts receivable	<u>114,321</u>	<u>47,757</u>
	<u>\$430,256</u>	<u>\$400,161</u>

CENTER FOR PASTORAL LEADERSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 8. Liquidity and Availability (Continued)

CPL considers rental income as ongoing, major and central to its annual operations and available to meet cash needs for general expenditures. CPL also receives general operating support from the Diocese of Cleveland on an annual basis. CPL manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Note 9. COVID-19 Global Pandemic

On January 30, 2020, the World Health Organization declared the outbreak of the coronavirus disease 2019 (COVID-19) a global health emergency and subsequently declared the COVID-19 outbreak a global pandemic in March 2020. The pandemic has adversely affected domestic and global economic activity and the full impact continues to evolve as of the date of this report.