

FRANCISCAN RENEWAL CENTER, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2024 and 2023

**FRANCISCAN RENEWAL CENTER, INC.
FINANCIAL STATEMENTS
AUGUST 31, 2024 and 2023
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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, 2024 and 2023, and the related statements of activities, functional expenses, 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 3rd day of September 2024.



Diane Catlin
Fiscal 2024 Board Chair



Linda Christian
Fiscal 2024 Treasurer



Charles Brown
Executive Director

FRANCISCAN RENEWAL CENTER, INC.
STATEMENTS OF FINANCIAL POSITION

August 31, 2024 and August 31, 2023

	August 31, 2024	August 31, 2023
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 3,136,431	\$ 3,289,275
Cash for specified purposes	402,920	358,319
Accounts receivable, net	177,882	157,226
Pledges receivable, purpose and time restricted, net	54,365	4,365
Pledges receivable, time restricted, net	553,419	560,482
Inventories	22,586	18,414
Prepaid expenses	40,398	42,629
TOTAL CURRENT ASSETS	4,388,001	4,430,710
<i>Non-current Assets</i>		
Cash for specified capital expenditures	814,654	563,483
Pledges receivable, purpose and time restricted, net	123,253	3,937
Pledges receivable, time restricted, net	944,783	999,431
Investments - Endowment	7,006,518	5,680,322
Investments - Other	1,448,278	1,212,256
Property and equipment	35,855,495	34,018,351
Construction in process, without donor restriction	76,004	79,248
Construction in process, with donor or grant restriction	175,431	138,318
Accumulated depreciation	(14,743,195)	(13,615,808)
TOTAL NON-CURRENT ASSETS	31,701,221	29,079,538
TOTAL ASSETS	\$ 36,089,222	\$ 33,510,248
LIABILITIES AND NET ASSETS		
<i>Current Liabilities</i>		
Accounts payable	\$ 51,255	\$ 57,518
Accrued liabilities	207,979	132,313
Deferred income	239,845	270,433
Compensated absences	21,258	11,201
TOTAL CURRENT LIABILITIES	520,337	471,465
<i>Net assets</i>		
<i>Without Donor Restrictions</i>		
General, undesignated reserves	2,856,960	3,036,079
Board designated - general investments	730,901	633,728
Board designated - capital/contingency reserves	717,377	578,528
Property and equipment	21,112,300	20,402,543
Construction in process	76,004	79,248
TOTAL WITHOUT DONOR RESTRICTIONS	25,493,542	24,730,126
<i>With Donor Restrictions</i>		
Donor restricted	1,126,320	661,187
Pledges restricted by time	1,498,202	1,559,913
Campaign related, net	268,872	268,917
Construction in process subject to restrictions	175,431	138,318
Endowment	7,006,518	5,680,322
TOTAL WITH DONOR RESTRICTIONS	10,075,343	8,308,657
TOTAL NET ASSETS	35,568,885	33,038,783
TOTAL LIABILITIES AND NET ASSETS	\$ 36,089,222	\$ 33,510,248

See Notes to Financial Statements

FRANCISCAN RENEWAL CENTER, INC.

STATEMENTS OF ACTIVITIES

For the fiscal years ended August 31, 2024 and August 31, 2023

	2024		2023	
	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions
SUPPORT REVENUES				
Liturgical/church operations	\$ 1,308,636	\$ -	\$ 1,288,266	\$ -
Hosted services (meetings and conferences)	2,202,414	-	2,172,674	-
Sponsored programs (adult education, FIA, and counseling)	235,928	-	174,415	-
Fundraising	809,269	2,554,619	882,726	1,348,258
Fundraising - change in pledges	-	76,309	-	136,581
Contribution - water well drilling efforts (2023)	-	-	-	76,603
Other revenues	324,390	-	120,902	-
TOTAL SUPPORT REVENUES	4,880,637	2,630,928	4,638,983	1,561,442
OTHER REVENUES/(RELEASED FUNDS), net of fees				
Government grant contribution (ERTC, with interest)	-	-	761,886	-
Unrealized gains on securities	255,015	652,542	212,338	528,028
Realized gains/(losses) on securities	46,342	700,790	(61,624)	115,384
Distribution from permanent endowments	228,133	(228,133)	220,978	(220,978)
Distribution from board designated general	(75,312)	-	(20,552)	-
Interest/dividends on restricted cash balances	-	90,712	-	19,725
Investment management fees	(10,672)	(41,678)	(9,199)	(36,041)
Interest/dividends on investments	20,649	113,509	15,074	91,122
Net assets released from restrictions	2,151,984	(2,151,984)	1,860,085	(1,860,085)
TOTAL OTHER REVENUES, net of fees	2,616,139	(864,242)	2,978,986	(1,362,845)
TOTAL REVENUES	7,496,776	1,766,686	7,617,969	198,597
OPERATING EXPENSES				
Liturgical/church operations	1,528,152	-	1,447,348	-
Hosted services (meetings and conferences)	2,062,304	-	1,916,589	-
Sponsored programs (adult education, FIA, and counseling)	801,364	-	729,004	-
General administration	516,146	-	468,159	-
Fundraising - vision sustainability	698,007	-	658,119	-
TOTAL OPERATING EXPENSES	5,605,973	-	5,219,219	-
OTHER EXPENSES				
Depreciation expense	1,127,387	-	1,217,423	-
TOTAL OTHER EXPENSES	1,127,387	-	1,217,423	-
TOTAL EXPENSES	6,733,360	-	6,436,642	-
CHANGES IN NET ASSETS	763,416	1,766,686	1,181,327	198,597
NET ASSETS, BEGINNING OF PERIOD	24,730,126	8,308,657	23,548,799	8,110,060
NET ASSETS, END OF PERIOD	\$ 25,493,542	\$ 10,075,343	\$ 24,730,126	\$ 8,308,657
				\$ 33,038,783

FRANCISCAN RENEWAL CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the fiscal year ended August 31, 2024

	Program services				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	Total supporting services	
OPERATING EXPENSES								
Personnel, including friars and lay staff	\$ 863,734	\$ 839,856	\$ 367,593	\$ 2,071,183	\$ 226,790	\$ 434,805	\$ 661,595	\$ 2,732,778
Lay salaries and wages	47,315	3,549	23,657	74,521	20,109	23,657	43,766	118,287
Friar compensation and benefits	139,217	164,055	76,173	379,445	52,995	69,220	122,215	501,660
Employee benefits	111,790	279,131	125,257	516,178	29,949	11,304	41,253	557,431
Professional, contract services and instructor costs	14,585	288,614	28,971	332,170	3,436	10,307	13,743	345,913
Food, beverages and underlying supplies	43,530	134,584	13,419	191,533	21,765	4,353	26,118	217,651
Utilities	10,345	109,082	10,876	130,303	2,736	2,496	5,232	135,535
Housekeeping supplies and other costs	58,678	49,527	13,448	121,653	1,861	53,480	55,341	176,994
Solidarity Contribution	24,087	89,525	8,926	122,538	5,956	1,193	7,149	129,687
Maintenance and repairs	66,487	23,044	13,622	103,153	33,563	4,555	38,118	141,271
Equipment, materials and supplies	3,926	16,826	27,997	48,749	1,963	8,159	10,122	58,871
Advertising (marketing and promotional items)	56,894	-	13,421	70,315	-	-	-	70,315
Other program-related costs	22,456	44,912	22,456	89,824	-	-	-	89,824
Insurance	-	-	-	-	15,719	6,737	22,456	112,280
Training, transportation and software costs	18,906	3,662	20,142	42,710	11,926	4,379	16,305	16,305
Printing and copier	-	-	-	-	1,831	10,472	12,303	55,013
Cultivation and fundraising events	-	-	-	-	-	16,017	16,017	16,017
Telephone	3,160	5,267	8,427	16,854	1,053	3,160	4,213	21,067
Banking fees	3,109	9,326	18,652	31,087	1,865	29,222	31,087	62,174
Staff development and volunteer-related items	15,589	172	1,294	17,055	74,265	1,294	75,559	92,614
Postage	352	1,172	7,033	8,557	1,172	3,197	4,369	12,926
Association dues and publications	13,000	-	-	13,000	965	-	965	13,965
Diocesan assessment	10,992	-	-	10,992	-	-	-	10,992
Miscellaneous	-	-	-	-	6,227	-	6,227	6,227
TOTAL OPERATING EXPENSES	\$ 1,528,152	\$ 2,062,304	\$ 801,364	\$ 4,391,820	\$ 516,146	\$ 698,007	\$ 1,214,153	\$ 5,605,973
OTHER EXPENSES								
Depreciation	225,478	748,373	74,619	1,048,470	56,369	22,548	78,917	1,127,387
TOTAL OTHER EXPENSES	\$ 225,478	\$ 748,373	\$ 74,619	\$ 1,048,470	\$ 56,369	\$ 22,548	\$ 78,917	\$ 1,127,387
TOTAL ALL-INCLUSIVE EXPENSES	\$ 1,753,630	\$ 2,810,677	\$ 875,983	\$ 5,440,290	\$ 572,515	\$ 720,555	\$ 1,293,070	\$ 6,733,360

FRANCISCAN RENEWAL CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the fiscal year ended August 31, 2023

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

STATEMENTS OF CASH FLOWS

For the fiscal years ended August 31, 2024 and August 31, 2023

	2024	2023
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Changes in net assets	\$ 2,530,102	\$ 1,379,924
Adjustments to reconcile net assets to net cash provided by operating activities:		
Realized gains on sales on securities	(747,132)	(53,760)
Unrealized gains on securities	(907,557)	(740,366)
Depreciation expense	1,127,387	1,217,423
Net (decrease) increase in certain donor restricted net assets		
Donations for specified operational activities	(23,959)	(31,996)
Ministerial restricted donations, including program grants	88,285	63,382
Grants and donations restricted to capital improvements	251,172	(144,634)
(Increase) decrease in assets:		
Accounts receivable	(20,656)	(54,218)
Inventories	(4,172)	(7,718)
Prepaid expenses	2,231	65,889
Pledges receivable, without restrictions, net	61,711	(143,712)
Pledges receivable, with restrictions, net	(169,316)	7,131
Increase (decrease) in liabilities:		
Accounts payable	(6,263)	(12,974)
Accrued liabilities	75,666	(18,207)
Deferred income	(30,588)	51,701
Other liabilities	10,057	(5,497)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,236,968</u>	<u>1,572,368</u>
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES		
Capital expenditures	(739,400)	(710,859)
Construction in process subject to grant or donor requirements	(1,382,784)	(242,690)
Purchases of investments	(5,371,563)	(2,057,669)
Proceeds from sales of investments	5,399,707	2,187,213
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,094,040)</u>	<u>(824,005)</u>
NET INCREASE IN CASH	142,928	748,363
CASH AT BEGINNING OF YEAR	4,211,077	3,462,714
CASH AT END OF PERIOD	<u>\$ 4,354,005</u>	<u>\$ 4,211,077</u>
RECONCILIATION OF CASH TO STATEMENT OF FINANCIAL POSITION:		
	2024	2023
Cash and Cash Equivalents	\$ 3,136,431	\$ 3,289,275
Cash for specified purposes	402,920	358,319
Cash for specified purposes - long term	814,654	563,483
TOTAL CASH ON STATEMENT OF FINANCIAL POSITION	<u>\$ 4,354,005</u>	<u>\$ 4,211,077</u>

See Notes to Financial Statements

**FRANCISCAN RENEWAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2024 and 2023**

**FRANCISCAN RENEWAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2024 and 2023**

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 for religious services 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. The new Province was created 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 purposes, has been segregated and maintained in insured depository accounts as of August 31, 2024 and 2023, for use as specified by the underlying restrictions.

FRANCISCAN RENEWAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
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Accounts Receivable and Allowance for Credit Losses - 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.

The Center recognized an allowance for credit losses for its receivables arising from reciprocal transactions to present the net amount expected to be collected as of the statements of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events, and also future events. The Center pools these receivables based on similar risk characteristics in estimating expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the Center measures those receivables individually. Receivables are written off when the Center determines that such receivables are deemed uncollectible.

The Center utilized the loss rate method in determining its lifetime expected credit losses on accounts receivable. In determining its loss rates, the Center evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, payor type, customer creditworthiness, and the effect of other external forces, such as economic conditions and legal and regulatory requirements, on the level of estimated credit losses in the existing receivables. The allowance for credit losses was \$32,840 as of August 31, 2024. As of August 31, 2023, prior to the adoption of ASU No. 2016-13, an allowance for doubtful accounts for such receivables of \$7,743 was recorded.

The amounts shown include loans due from employees which consisted of \$25,796 and \$845 at August 31, 2024 and 2023, respectively.

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.

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.

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

FRANCISCAN RENEWAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
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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.

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. The 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,

FRANCISCAN RENEWAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2024 and 2023

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:

Hosted services and sponsored program revenues are recognized in the month the service is provided. Sponsored programs are typically paid in advance while hosted service organizations provide a deposit and will pay upon completion of the event or within 30 days.

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 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 statements 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.

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,

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workshops, classes, and private retreats), FIA events or sales, and counseling services.

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Accounts receivable, net	\$ 139,686	\$ 151,383	\$ 82,116
Deferred income	\$ 239,845	\$ 270,433	\$ 218,732

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 released from restriction and 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 and other items, which 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, 2024 and 2023, 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, 2024 and 2023.

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 financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Adoption of New Accounting Standard – In June 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, Measurement of Financial Instruments – Credit Losses (Topic 326). The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. For financial instruments included in the scope, the CECL methodology utilizes a lifetime “expected credit

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loss” measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The methodology replaces the multiple existing impairment methods in current accounting principles generally accepted in the United States of America, which generally require that a loss be incurred before it is recognized. On September 1, 2023, the Center adopted the ASU using the modified retrospective approach. The adoption of ASU No. 2016-13 had no impact on the financial statements for the year ended August 31, 2024.

NOTE C – FAIR VALUE MEASUREMENT

Accounting Standards establish a framework for measuring fair value which provides a 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, 2024, the Center’s investments were measured at fair value on a recurring basis, as follows:

	Level 1	Level 2	Level 3	Total
Cash funds	\$ 100,002	\$ -	\$ -	\$ 100,002
Equity securities	6,162,756	-	-	6,162,756
Debt securities	2,192,038	-	-	2,192,038
Total Investments	<u>\$ 8,454,796</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,454,796</u>

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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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 may infrequently 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 – 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% for August 31, 2024 and 2023, which represents the *Wall Street Journal* Prime Lending Rate at the close of each fiscal year, plus 2%.

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Pledges receivable consisted of the following at August 31, 2024:

	Pledges and Grants receivable, purpose and time <u>restricted</u>	Pledges receivable, time <u>restricted</u>	Total Pledges receivable
<i>Current</i>			
Gross receivables	\$ 54,500	\$ 570,535	\$ 625,035
Less allowance for uncollectible pledges	<u>(135)</u>	<u>(17,116)</u>	<u>(17,251)</u>
<i>Total current</i>	\$ 54,365	\$ 553,419	\$ 607,784
<i>Long-term, to five years</i>			
Gross receivables	\$ 150,000	\$ 1,192,346	\$ 1,342,346
Less allowance for uncollectible pledges	-	(50,983)	(50,983)
Less unamortized discount at 10.5%	<u>(26,747)</u>	<u>(199,027)</u>	<u>(225,774)</u>
<i>Total long-term, to five years</i>	\$ 123,253	\$ 942,336	\$ 1,065,589
<i>Extended long-term, exceeding five years</i>			
Gross receivables	\$ -	\$ 4,500	\$ 4,500
Less allowance for uncollectible pledges	-	(225)	(225)
Less unamortized discount at 10.5%	<u>-</u>	<u>(1,828)</u>	<u>(1,828)</u>
<i>Total long-term, exceeding five years</i>	\$ -	\$ 2,447	\$ 2,447
<i>Total long-term receivables</i>	<u>\$ 123,253</u>	<u>\$ 944,783</u>	<u>\$ 1,068,036</u>
TOTAL NET PLEDGES RECEIVABLE	<u>\$ 177,618</u>	<u>\$ 1,498,202</u>	<u>\$ 1,675,820</u>

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>\$ 8,302</u>	<u>\$ 1,559,913</u>	<u>\$ 1,568,215</u>

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NOTE F – LIQUIDITY AND AVAILABILITY

The following reflects the Center's financial assets as of August 31, 2024 and 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>2024</u>	<u>2023</u>
Current assets, net of prepaid expenses	\$ 4,347,603	\$ 4,388,081
Unrestricted investments	1,448,278	1,212,256
Endowment spending appropriation	<u>238,449</u>	<u>228,133</u>
Financial assets available for expenditure	<u>\$ 6,034,330</u>	<u>\$ 5,828,470</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 \$7,006,518 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, 2024 and 2023, 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 \$23,312 and \$20,552, respectively. The Board further designated \$52,000 from the general investments to support on-going operations. The second board designated fund 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.

NOTE G - 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.

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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>2024</u>	<u>2023</u>
Catholic Community Foundation	<u>\$ 177,403</u>	<u>\$ 158,111</u>
Arizona Community Foundation	<u>\$ 35,163</u>	<u>\$ 32,669</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, 20% to 80% of the portfolio is to be invested in equity or equity-like investments, 20% to 80% of the portfolio is to be invested in fixed income investments, and 5% to 20% in cash and equivalents. 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 2023 and 2024, 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 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:

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	<u>2024</u>	<u>2023</u>
<i>Investments</i>		
<i>Board Designated General Investments</i>		
Cash/Money market funds	\$ 12,942	\$ 78,796
Equity securities	537,426	466,076
Debt securities	<u>180,533</u>	<u>88,856</u>
<i>Total Board Designated General Investments</i>	\$ 730,901	\$ 633,728
<i>Board Designated Capital/Contingency Reserves</i>		
Cash/Money market funds	\$ 9,255	\$ 163,135
Equity securities	502,543	415,393
Debt securities	<u>205,579</u>	<u>-</u>
<i>Total Board Designated Capital/Contingency</i>	\$ 717,377	\$ 578,528
<i>Endowment</i>		
Cash/Money market funds	\$ 77,805	\$ 157,785
Equity securities	5,122,787	4,672,288
Debt securities	<u>1,805,926</u>	<u>850,249</u>
<i>Total Endowment</i>	<u>\$ 7,006,518</u>	<u>\$ 5,680,322</u>
TOTAL INVESTMENTS	<u>\$ 8,454,796</u>	<u>\$ 6,892,578</u>

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

	<u>2024</u>	<u>2023</u>
<i>Board Designated General Investments - Net Assets</i>		
<i>Without Donor Restrictions:</i>		
Beginning Balance	\$ 633,728	\$ 583,224
Contributions/Reclassifications	-	-
Realized (losses)/gains	22,914	(24,833)
Unrealized gains/(losses)	144,719	92,801
Interest and dividends	11,301	8,830
Distributions	(75,312)	(20,552)
Management Fees	<u>(6,449)</u>	<u>(5,742)</u>
Ending Balance	\$ 730,901	\$ 633,728
<i>Board Designated Capital/Contingency Reserve - Net</i>		
<i>Assets Without Donor Restrictions:</i>		
Beginning Balance	\$ 578,528	\$ 492,995
Realized gains/(losses)	23,428	(36,791)
Unrealized gains	110,296	119,537
Interest and dividends	9,348	6,244
Management Fees	<u>(4,223)</u>	<u>(3,457)</u>
Ending Balance	\$ 717,377	\$ 578,528
<i>Endowment Net Assets with Donor Restrictions:</i>	<u>\$ 7,006,518</u>	<u>\$ 5,680,322</u>
TOTAL INVESTMENTS	<u>\$ 8,454,796</u>	<u>\$ 6,892,578</u>

The following provides the original corpus and accumulated earnings for Endowment funds (all donor restricted) for the years ended August 31, 2024 and 2023:

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	With Donor Restrictions- Accumulated earnings	With Donor Restrictions- Original corpus	Total Endowment Fund
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 losses	115,384	-	115,384
Unrealized losses	528,028	-	528,028
Investment fees	(36,041)	-	(36,041)
Amounts appropriated for expenditure	<u>(220,978)</u>	<u>-</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>
Contributions	-	129,166	129,166
Interest and dividends	113,509	-	113,509
Realized gains	700,790	-	700,790
Unrealized gains	652,542	-	652,542
Investment fees	(41,678)	-	(41,678)
Amounts appropriated for expenditure	<u>(228,133)</u>	<u>-</u>	<u>(228,133)</u>
Endowment funds, August 31, 2024	<u>\$ 3,991,603</u>	<u>\$ 3,014,915</u>	<u>\$ 7,006,518</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 H – PROPERTY AND EQUIPMENT

Property and equipment as of August 31 was as follows:

	<u>2024</u>	<u>2023</u>
Land and land improvements	\$ 4,547,812	\$ 3,645,959
Building and structural improvements	23,726,213	23,621,516
Equipment and furnishings	<u>7,581,470</u>	<u>6,750,876</u>
Depreciable property and equipment	35,855,495	34,018,351
Less Accumulated depreciation and amortization	<u>(14,743,195)</u>	<u>(13,615,808)</u>
Total Property and Equipment, net, without restrictions	<u>\$ 21,112,300</u>	<u>\$ 20,402,543</u>
Construction in process, without donor restriction	<u>\$ 76,004</u>	<u>\$ 79,248</u>
Construction in process	<u>\$ 175,431</u>	<u>\$ 138,318</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 \$1,127,387 and \$1,217,423 for the years ended August 31, 2024 and 2023, respectively.

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. No gift-in-kind donations were made in fiscal 2024.

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

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or donated. When donated, the Center collaborates 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 I – CONSTRUCTION CONTRACTS

During fiscal 2024, the Center entered contracts for various construction-related renovation efforts on Rose Court. As of August 31, 2024, approximately \$450,000 remains on the contract. Additionally, \$80,000 remains on a separate contract to complete landscaping around the new roadways.

NOTE J – 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 K – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
Subject to purpose restrictions:		
Dedicated and realized campaign funds	\$ 264,507	\$ 260,615
Donations for specified operational activities	6,362	50,047
Casa improvement donations	116,309	302,868
Ministerial restricted donations	<u>248,500</u>	<u>168,477</u>
Total subject to purpose restrictions	\$ 635,678	\$ 782,007
Subject to both time and purposes restrictions:		
Renovation Grant, remaining funds	\$ 433,839	\$ -
Construction in Process	175,431	138,318
Pledges remaining on campaign	4,365	8,302
Program grants	<u>321,310</u>	<u>139,795</u>
Total subject to both time and purpose restrictions	\$ 934,945	\$ 286,415
Subject to time restrictions:		
Pledges on letters of intent	\$ 1,498,202	\$ 1,559,913
Endowments – subject to spending policy and appropriation:	<u>\$ 7,006,518</u>	<u>\$ 5,680,322</u>
Total Net Assets with Donor Restrictions	<u>\$10,075,343</u>	<u>\$ 8,308,657</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:

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	<u>2024</u>	<u>2023</u>
Assets placed into service from restricted grant/funds	\$ 1,206,216	\$ 811,873
Pledges realized for operational support	794,414	806,622
Casa improvement donations	-	63,634
Ministerial restricted donations	86,329	133,141
Donations for specified operational activities	<u>65,025</u>	<u>44,815</u>
TOTAL DONOR RESTRICTED FUNDS RELEASED	<u>\$ 2,151,984</u>	<u>\$ 1,860,085</u>

NOTE L – 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 \$51,306 and \$39,704 during the years ended August 31, 2024 and 2023, respectively.

NOTE M – RELATED PARTIES

The Center had an agreement with the Province of Saint Barbara to provide solidarity contributions. In fiscal 2023, FM modified the agreement to provide solidarity contributions directly to FM. During fiscal 2023, the Center paid solidarity contributions of \$58,333 to the Province and \$41,667 to FM. During the year ended August 31, 2024, the Center paid solidarity contributions of \$177,000 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 \$7,190 and \$88,541 for the years ended August 31, 2024 and 2023, respectively. The Center paid the Province of Saint Barbara, on behalf of the local friars, social security and retirement benefits of \$5,554 for the year ended August 31, 2023. These payments did not continue into the year ended August 31, 2024. Additionally, the Center paid \$4,406 and \$53,682 to one other Province for a friar who worked at the Center during the years ended August 31, 2024 and 2023, respectively. Effective October 2023, all friar-related payments were made to the Province of Our Lady of Guadalupe, the new province supporting the friars. The Center paid the Province of Our Lady of Guadalupe \$96,180 for the friars during the year ended August 31, 2024.

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 for the year ended August 31, 2023. For the year ended August 31, 2024, the Center paid premiums of \$76,869 to FM.

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The Center offered healthcare coverage for former friars of the Center or Arizona-based friars. The Province of Saint Barbara reimbursed the Center \$13,191 and \$28,509 during the years ended August 31, 2024 and 2023, respectively, for health insurance premiums paid by the Center for non-resident friars and one friar in formation. The Old Mission Santa Barbara reimbursed the Center \$7,414 and \$5,509, respectively, during the years ended August 31, 2024 and 2023, 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 \$11,379 and \$10,997 in assessments to the Diocese during the years ended August 31, 2024 and 2023, 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, 2024, there were 10 Board members. One lay member serves as the Executive Director of the Center, one serves as Chair and President of FM, and one serves as Treasurer of FM. Additionally, one local friar serves as Vicar of Our Lady of the Angels.

NOTE N – 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 \$71,541 and \$56,815 for the years ended August 31, 2024 and 2023, respectively. No liability existed for agency transactions at the end of either fiscal year.

NOTE O – REPORT DATE

These financial statements and notes herein represent activities of the Center through September 3, 2024 and September 5, 2023 for the years ended August 31, 2024 and 2023, respectively. These dates reflect the date for both evaluation of subsequent events and financial statement availability for issuance.

NOTE P – SUBSEQUENT EVENTS

The Center has concluded that no events have occurred since August 31, 2024, that would require an adjustment to or disclosure in the financial statements.