

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2015



BROWN, GRAHAM & COMPANY

PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

7431 Continental Parkway • Amarillo, Texas 79119
P.O. Box 20210 • Amarillo, Texas 79114
806-355-8241 • FAX 806-355-6415

INDEPENDENT AUDITOR'S REPORT

**To the Most Reverend Patrick J. Zurek,
Bishop of the Roman Catholic Diocese of Amarillo
and Members of the Finance Council
Amarillo, Texas**

Report on the Financial Statements

We have audited the accompanying financial statements of the Roman Catholic Diocese of Amarillo Diocesan Pastoral Center (a non-profit organization) (the "DPC"), which consist of the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers 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.

**To the Most Reverend Patrick J. Zurek,
Bishop of the Roman Catholic Diocese of Amarillo
and Members of the Finance Council**

Basis for Qualified Opinion

As more fully described in Note 2 to the financial statements, the DPC has not included certain assets held by another entity for the DPC's benefit nor recorded assets and liabilities related to its defined benefit pension plan. In our opinion, accounting principles generally accepted in the United States of America require that these transactions be included in these financial statements.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph and in Note 2, the financial statements referred to above present fairly, in all material respects, the financial position of the Roman Catholic Diocese of Amarillo Diocesan Pastoral Center as of June 30, 2015 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of general and administrative expenses on page 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Brown Graham & Company, P.C.

Amarillo, Texas
October 29, 2015

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Assets:</u>		
Cash and cash equivalents		\$ 2,158,558
Accounts receivable		307,799
Prepaid expenses		26,142
Property and equipment, net		<u>1,080,416</u>
Total assets		<u><u>\$ 3,572,915</u></u>
<u>Liabilities:</u>		
Accounts payable		\$ 286,426
Grants payable		1,000
Custodial funds payable		488,910
Deferred revenue		414,165
Note payable		<u>152,517</u>
Total liabilities		<u>1,343,018</u>
<u>Net Assets:</u>		
Unrestricted:		
Undesignated		1,650,462
Designated		71,114
Temporarily restricted		<u>508,321</u>
Total net assets		<u>2,229,897</u>
Total liabilities and net assets		<u><u>\$ 3,572,915</u></u>

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

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Change in net assets:			
Revenue, gains and other support:			
United Catholic Appeal	\$ 1,175,798	\$ -	\$ 1,175,798
Cathedraticum tax	901,029	-	901,029
Other assessments	315,286	125,736	441,022
Contributions and bequests	54,335	-	54,335
Investment income, net	38,602	-	38,602
Deposit and loan distributions	2,189	-	2,189
Fund raising income	-	139,758	139,758
Grant income	-	954,421	954,421
Miscellaneous income	171,328	81,657	252,985
Rent income	15,667	-	15,667
Total revenue and other support	<u>2,674,234</u>	<u>1,301,572</u>	<u>3,975,806</u>
Net assets released from restrictions	<u>1,194,230</u>	<u>(1,194,230)</u>	<u>-</u>
Total revenue, gains and other support	<u>3,868,464</u>	<u>107,342</u>	<u>3,975,806</u>
Expenses:			
Program services:			
Amarillo Catholic School System	127,368	-	127,368
Christian formation	84,085	-	84,085
City ministries	207,903	-	207,903
Diaconate office	118,573	-	118,573
Education	62,133	-	62,133
Hispanic ministries	28,377	-	28,377
Miscellaneous	188,674	-	188,674
Priest service	163,483	-	163,483
Seminary education	226,049	-	226,049
Tribunal	77,906	-	77,906
Tuition assistance	165,829	-	165,829
West Texas Catholic Newspaper	193,747	-	193,747
Youth ministries	181,414	-	181,414
Grant distributions	90,250	-	90,250
Planned annual subsidies	323,157	-	323,157
Supporting services:			
Administrative and general	1,499,047	-	1,499,047
Fund raising	96,000	-	96,000
Total expenses	<u>3,833,995</u>	<u>-</u>	<u>3,833,995</u>
Change in net assets	34,469	107,342	141,811
Net assets - beginning of year	<u>1,687,107</u>	<u>400,979</u>	<u>2,088,086</u>
Net assets - end of year	<u>\$ 1,721,576</u>	<u>\$ 508,321</u>	<u>\$ 2,229,897</u>

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

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

Cash flows from operating activities:	
Change in net assets	\$ 141,811
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	92,880
Gain on disposal of property and equipment	(1,010)
(Increase) decrease in:	
Accounts receivable	93,372
Prepaid expenses	(17,317)
Increase (decrease) in:	
Accounts payable	119,647
Grants payable	1,000
Custodial funds payable	338,041
Deferred revenue	<u>(26,392)</u>
Net cash flows from operating activities	<u>742,032</u>
Cash flows from investing activities:	
Purchase of property and equipment	(64,048)
Proceeds from the sale of investments	18,096
Payments received on note receivable	<u>59,462</u>
Net cash flows from investing activities	<u>13,510</u>
Cash flows from financing activities:	
Payments on note payable	<u>(37,387)</u>
Net cash flows from financing activities	<u>(37,387)</u>
Net changes in cash and cash equivalents	718,155
Cash and cash equivalents - beginning of year	<u>1,440,403</u>
Cash and cash equivalents - end of year	<u><u>\$ 2,158,558</u></u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest on loans	<u><u>\$ 10,613</u></u>

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

ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 – Organization and Summary of Significant Accounting Policies:

Nature of Operations

The Roman Catholic Diocese of Amarillo (the “Diocese”) was established August 25, 1926. It includes 34 parishes, 13 mission communities, 6 elementary schools, 1 diocesan high school and other institutions under the direct supervision of the Bishop of Amarillo. The Bishop of Amarillo is a de facto corporation sole. The Bishop of Amarillo has dominion over the entities indicated and property is titled: The Most Reverend Patrick J. Zurek, Bishop of the Roman Catholic Diocese of Amarillo, and /or his successors in office. The Diocese is part of the Catholic Church of America, also known as the United States Catholic Conference, and of the Texas Catholic Conference.

The Diocesan Pastoral Center (the “DPC) includes the departments that provide services at the diocesan level of administration that are fiscally responsible to the Bishop. As such, the DPC is presented as a segment of the Diocese: separated entities (parishes, schools, etc.) are not included in the accompanying financial statements.

Basis of Presentation

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applicable to non-profit organizations. They include the assets, liabilities, net assets and financial activities of all departments providing services at the diocesan level of administration, which are fiscally responsible to the Bishop of Amarillo.

A portion of the operating revenue received by the DPC comes from assessments/taxes that are collected from other entities operating within the Diocese. The amounts are generally derived based on percentages of an entity’s gross revenues and are assessed and collected monthly. Additional operating revenue is received from United Catholic Appeal campaign. Under this campaign, each parish in the diocese is assessed an annual financial quota by the Bishop to be met by the parishioners. If the parish is not able to meet the financial quotas set by the Bishop from their parishioners, the parish must then meet the quota by using money from their annual operating funds.

The accompanying financial statements exclude assets, liabilities, net assets and financial activities of individual parishes, schools, the Bishop DeFalco Retreat Center and other church organizations, which operate within the Diocese of Amarillo. Each, although ultimately responsible to the Bishop, is an operating entity distinct from the DPC, maintains separate financial records, and provides its own services and programs.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the DPC considers cash in operating bank accounts, cash on hand and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The DPC also considered cash held by another entity within the Diocese as discussed in further detail in Note 16 below to be a cash equivalent based upon the ability to convert these assets to cash in a short period of time.

ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 – Organization and Summary of Significant Accounting Policies (continued):

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Permanently restricted net assets represent contributions received that, according to donor wishes, are to be held in perpetuity, with related income being available for specific use within the Diocese. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are initially reported as temporarily restricted and then classified as net assets released from restrictions.

Donated equipment, materials and supplies are reflected as contributions in the accompanying financial statements at their estimated values at date of receipt. No amounts have been reflected in the accompanying financial statements for donated services since no objective basis is available to measure the value of such services.

Accounts Receivable

The DPC follows the direct write-off method of expensing accounts receivable when considered uncollectible. The effect of using this method (as compared to an allowance method) on the statement of activities is immaterial. Management evaluates each account individually to determine its collectability.

During the current year, the DPC did not write off any receivables that were considered to be uncollectible.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is computed using the straight line method over the estimated useful lives of the related assets, ranging from 3-40 years. Property and equipment donated to the DPC are recorded at fair market value on the date of the donation and are depreciated in the same manner as purchased assets. Purchased and donated property with a value over \$500 and an expected useful life of 3 or more years is capitalized.

Custodial Funds Payable

The DPC collects funds on behalf of various other organizations for various purposes from the parishes within its boundaries as well as other sources. Because these funds do not benefit the DPC, they are accounted for as custodial funds payable until such time the funds are remitted to the appropriate parties.

Grants

The DPC receives grants from various agencies and foundations for the benefit of various entities within the Diocese. These grants are intended for the benefit of departments or ministries that are managed through the DPC, as well as other entities within the Diocese (i.e. parishes, schools, etc.). Grants are recognized as revenue when susceptible to accrual and grant distribution expense is recorded when the related entity is awarded their grant from the DPC.

ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 – Organization and Summary of Significant Accounting Policies (continued):

Federal income tax

The DPC is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). As a result, no provision for current or deferred income tax liability is recognized in the DPC's books and records. Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*, requires extensive disclosures about uncertain income tax positions. This standard seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. The DPC evaluates any uncertain tax positions using the provisions of ASC 450, *Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. The DPC does not believe that it has engaged in any activity that would result in an uncertain tax position. As a result, management does not believe that any uncertain tax positions currently exist and no loss contingency has been recognized in the accompanying financial statements. Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination. Currently, the DPC has no open examinations with either the Internal Revenue Service or state taxing authorities. The DPC has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code. The DPC's policy is to record any income tax related penalties and interest incurred as operating expense. There were no income tax related penalties or interest included in the accompanying financial statements.

Advertising

Advertising costs are generally expensed as incurred. Advertising expense was \$6,889 for the year ended June 30, 2015.

Note 2 – Departures from Generally Accepted Accounting Principles:

ASC 958-605-50, *Transfers of Assets to a Not-for Profit Entity or Charitable Trust that Raises or Holds Contributions for Others*, establishes standards for transactions in which an entity – the donor – makes a contribution by transferring assets to a not-for-profit organization or charitable trust – the recipient organization – that accepts the assets from the donor and agrees to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both to another entity – the beneficiary – that is specified by the donor. If the recipient organization and the beneficiary are financially interrelated, the beneficiary is required to recognize its interest in the net assets adjusted by its share of the change in net assets of the recipient organization. The DPC has chosen not to implement ASC 958-605-50 even though the DPC has assets as a beneficiary as described above at June 30, 2015.

Specifically, the DPC has transferred assets to the Catholic Foundation of the Texas Panhandle (the "Foundation"). The Foundation is a charitable trust formed to receive long-term endowment type contributions from individuals, corporations, foundations, associations and other entities whose intention is to benefit the educational, religious and charitable activities of the Diocese. The Foundation also receives funds from various segments of the Diocese as "Participating Entities". These funds are held in trust for investment purposes, but remain under the control of the Participating Entity and must be accounted for separately.

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 2 – Departures from Generally Accepted Accounting Principles (continued):

The DPC has elected to not show these assets that were transferred to the Foundation on the DPC's financial statements. The results of this departure from accounting principles generally accepted in the United States of America (GAAP) are summarized below.

Investments understated	\$ <u>2,021,444</u>
Permanently restricted net assets understated	\$ <u>2,021,444</u>
Change in net assets understated:	
Investment income, net of investment expenses	\$ <u>(49,258)</u>

ASC 715-20-50, *Compensation – Retirement Benefits; Defined Benefit Plans – General; Disclosure* provides guidance regarding the disclosure in the notes to the financial statements as well as on the face of the financial statements regarding defined benefit pension plans. Among other items, this accounting standard requires employers to recognize on the statement of financial position the funded status of a benefit plan as the difference between the fair value of plan assets and the projected benefit obligations. The accounting standard also requires the recognition of changes in the funded status of benefit plans in the statement of changes in financial position. The DPC has elected not to report the funded status of its benefit plan on the statement of financial position and the change in the funded status during the year on the statement of activities, which are considered to be departures from generally accepted accounting principles.

Net overfunded pension assets understated	\$ <u>(428,190)</u>
Temporarily restricted net assets understated	\$ <u>(428,190)</u>
Change in the funded status of the pension plan not reported as a component of the change in net assets:	
Change in net assets understated	\$ <u>(342,016)</u>

Note 3 – Note Receivable:

During a previous fiscal year, the DPC sold a piece of property that had been donated to the DPC. The property was sold for \$100,000, of which the DPC financed \$72,500 for the individual purchasing the property under the terms of a note agreement. The note agreement calls for the buyer to make 120 monthly payments to the DPC in the amount of \$823, which includes principal and interest at a rate of 6.5%. The note agreement is secured by a deed of trust on the property sold to the purchaser. The following is a summary of the activity on the note received for the year ended June 30, 2015:

	Interest Received	Balance 7/1/2014	Payments Received	Balance 6/30/2015
Note receivable - Sale of property	\$ <u>2,502</u>	\$ <u>59,462</u>	\$ <u>(59,462)</u>	\$ <u>-</u>

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 4 – Property and Equipment:

Depreciation of property and equipment is provided on a straight-line basis over the following useful lives:

Building and improvements	5 - 40 years
Furniture and fixtures	5 - 10 years
Vehicles	5 years

Property and equipment as of June 30, 2015 was as follows:

Land	\$ 22,605
Buildings and improvements	1,626,529
Holy Cross Academy building	1,122,711
Vehicles	53,494
Furniture and equipment	<u>314,518</u>
 Total cost of property and equipment	 3,139,857
Less: accumulated depreciation	<u>(2,059,441)</u>
 Property and equipment, net of accumulated depreciation	 \$ <u><u>1,080,416</u></u>

Note 5 – Deferred Revenue:

The DPC received funding from the following sources during the year ended June 30, 2015 that were reported as deferred revenue as follows:

<u>Source/Purpose</u>	
United Catholic Appeal - 2015/2016	\$ 281,132
Grant Revenue - Scanlan - 2016	120,000
World Youth Day - 2016	<u>13,033</u>
 Total	 \$ <u><u>414,165</u></u>

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 6 – Note Payable:

During a prior year, the DPC entered into a note agreement with Amarillo National Bank. The amount financed under the loan agreement was \$294,587. The note is payable in 91 monthly installments of \$4,000 including principal and interest at 6%, with one final payment estimated to be \$5,824 payable in December, 2018. The note is secured by a deed of trust on certain property of the DPC. The loan activity for the year ended June 30, 2015 was as follows:

	<u>Interest Paid</u>	<u>Balance 7/1/2014</u>	<u>Note Payments</u>	<u>Balance 6/30/2015</u>
Note Payable - Amarillo National Bank	\$ 10,613	\$ 189,904	\$ (37,387)	\$ 152,517

The remaining balance on the note is scheduled to be paid as follows:

<u>Fiscal Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 39,802	\$ 8,198	\$ 48,000
2017	42,313	5,687	48,000
2018	44,960	3,040	48,000
2019	25,442	383	25,825
	<u>\$ 152,517</u>	<u>\$ 17,308</u>	<u>\$ 169,825</u>

Note 7 – Commitments and Contingencies:

The DPC is subject to various commitments and contingent liabilities, including general litigation. Various lawsuits and claims are pending against the DPC, the majority of which are subject to coverage under the DPC's insurance programs. While amounts claimed in some cases are substantial, management believes that the resolution of such matters will not have a material impact on the financial condition of the DPC. Consequently, no amounts have been recorded in the accompanying financial statements for the effects of any future unfavorable outcomes.

Note 8 – Concentration of Credit Risk:

The DPC maintains various bank accounts at institutions insured by the Federal Deposit Insurance Corporation (FDIC). Cash accounts are federally insured up to \$250,000 and deposits at these institutions exceeded federally insured limits. The amounts in excess of FDIC insurance totaled approximately \$833,778 as of June 30, 2015.

Note 9 – Designated Net Assets:

The Bishop and Finance Council have designated a fund to accumulate reserves for long-term building projects. At June 30, 2015, this fund had a balance of \$71,114.

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 10 – Temporarily Restricted Net Assets:

The following is a summary of DPC’s temporarily restricted net assets activity for the year ended June 30, 2015:

	<u>Balance 7/1/2014</u>	<u>Amounts Added</u>	<u>Amounts Re-allocated</u>	<u>Restrictions Satisfied</u>	<u>Balance 6/30/2015</u>
<u>Revenue Restricted for:</u>					
Bishop's banquet for building fund	\$ 54,576	\$ 75,836	\$ -	\$ (38,160)	\$ 92,252
Business office	-	2,810	-	(2,810)	-
Campus ministry	21,000	10,000	(10,000)	-	21,000
Catholic Family Services	-	6,633	-	(6,633)	-
Christian formation	5,712	74,800	-	(73,496)	7,016
City ministries	-	116,400	-	(116,400)	-
Communications	-	22,800	-	(22,800)	-
Hispanic ministries	7,705	10,000	-	(17,705)	-
Home missions	-	44,800	-	(44,800)	-
Knights of Columbus	-	11,197	-	(11,197)	-
Office of Diaconate	3,059	113,000	-	(114,454)	1,605
Participation fees	-	32,888	-	(25,636)	7,252
Priest anniversary/birthday gifts	-	2,711	-	(2,250)	461
Priest services	-	70,000	-	(70,000)	-
Priest's study week	6,074	8,999	-	-	15,073
Respect life	36,941	42,972	-	(22,864)	57,049
Respect life - Scanlan	-	5,000	-	(5,000)	-
Respect life banquet	-	20,950	-	(20,950)	-
Sabbaticals and continuing education	189,320	17,200	-	-	206,520
School assessments	-	99,538	-	(99,538)	-
Seminary burse endowment	69,844	49,542	-	(29,952)	89,434
Seminary education	-	184,900	-	(184,900)	-
Tuition assistance	6,748	169,740	-	(165,829)	10,659
Youth ministry	-	62,800	10,000	(72,800)	-
Youth rally	-	36,469	-	(36,469)	-
Youth summer camp	-	9,587	-	(9,587)	-
Total temporary restricted net assets	<u>\$ 400,979</u>	<u>\$ 1,301,572</u>	<u>\$ -</u>	<u>\$ (1,194,230)</u>	<u>\$ 508,321</u>

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 11 – Grant Revenue:

Grant income for the year ended June 30, 2015 consisted of the following:

<u>Source/Purpose</u>	
Catholic Church Extension Society	\$ 276,443
Catholic Foundation of the Texas Panhandle	66,282
Committee on the Home Missions	142,500
Kenedy Memorial Foundation	225,000
Scanlan Foundation	225,000
Others	<u>19,196</u>
Total	<u>\$ 954,421</u>

Note 12 – Lay Employee Pension Plan:

The DPC has a defined contribution pension plan for all eligible lay employees. Employees become eligible upon completion of 1000 hours prior to prior to January 1 or July 1. The DPC contributes 3% of each eligible employee’s salary and will match up to an additional 2% of employee deferrals. Employees may elect to defer a portion of their annual salary provided the deferral does not exceed specific dollar limitations determined by the Internal Revenue Service. Employees become fully vested after 3 years of eligible service. The DPC contributed \$44,661 during the year ended June 30, 2015. Employee contributions for the year were \$67,623.

Note 13 – Employee Health Benefits:

The DPC, along with three other Texas Dioceses, provides health benefits to employees through participation in the Catholic Employee Benefit Group. Benefits include comprehensive medical/health benefits, dental benefits, \$20,000 life insurance benefits, \$20,000 accidental death and dismemberment benefits, and world/international traveler health benefits. The DPC incurred total expenditures of \$219,963 during the year ended June 30, 2015 in group insurance costs.

Note 14 – Priests’ Employee Pension Plan:

Plan Summary

The DPC provides retirement benefits to its priests through a defined benefit pension plan established by the Diocese. The Diocese has adopted the plan to provide monthly retirement benefits for its incardinated priests. Plan administration is provided by a Retirement Committee.

The pension plan is a church plan as defined by Internal Revenue Code section 414(e) and has not elected to be covered by the participation, vesting and other provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”) and the Internal Revenue Code.

The pension plan is funded solely through contributions by the Diocese. Pension plan contributions are paid into – and members’ benefits are paid from – a trust. Contributions are actuarially determined. Participants receive credited service for periods of employment with the Diocese.

ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Note 14 – Priests’ Employee Pension Plan (continued):

Plan Summary (continued)

The pension plan was adopted effective July 1, 1982, and was most recently amended January 1, 2014. The amendment was approved by the Internal Revenue Service in a determination letter dated May 11, 2015. The amendment did not materially change the benefit provisions of the plan.

Eligibility

The pension plan covers incardinated priests of the Diocese. An eligible individual becomes a participant in the plan on the first day of the month following his date of employment.

Normal Retirement Benefits

A participant is eligible for normal retirement under the plan upon attainment of age 70 and the completion of at least 15 years of credited service. A participant who retires on his normal retirement date will receive a benefit of \$1,200 per month. Benefits are payable for as long as the participant is living.

Late Retirement Benefits

A participant will receive a late retirement pension if his retirement occurs after his normal retirement date. The benefit payable upon late retirement will equal the participant’s normal retirement benefit increased by 5/12ths of one percent for each month between his normal retirement date and the date his retirement benefit actually starts. Late retirement benefits are payable for as long as the participant is living.

Early Retirement Benefits

A participant is eligible for an early retirement pension upon attainment of age 65 and the completion of at least 10 years of service. The monthly benefit payable to a participant who takes early retirement under the plan will equal the benefit he would have received at normal retirement date multiplied by a fraction, the numerator of which is the participant's years of credited service at the date his service terminates, and the denominator of which is the number of years of credited service that the participant would have completed at normal retirement date. Monthly payments are reduced by 5/12ths of one percent for each month by which the starting date of the participant's monthly early retirement benefits precedes the participant's normal retirement date. Early retirement benefits are payable for as long as the participant is living.

Disability Retirement

A participant is eligible for disability retirement if his employment is terminated as a result of total and permanent disability prior to normal retirement date. A participant who retires due to total and permanent disability will receive a benefit equal to the benefit he would have received had he retired on his normal retirement date. Disability benefits are payable for as long as the participant is living and remains disabled. Payments cease if the participant recovers prior to his normal retirement date or upon the participant's death. A participant whose disability benefit ceases due to recovery prior to normal retirement date and who does not return to the service of the Diocese will receive the early retirement benefit or the deferred vested pension, if any, to which he was entitled as of the date he became disabled.

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 14 – Priests’ Employee Pension Plan (continued):

Termination Benefits

A participant is eligible for a deferred vested pension if his service terminates for reasons other than death or normal, late, early or disability retirement on or after the date he has completed ten or more years of credited service. The benefit payable to a participant eligible for a deferred vested pension will equal the monthly pension the participant would have received at normal retirement date, multiplied by a fraction the numerator of which is the participant's years of credited service at the date his service terminates, and the denominator of which is the number of years of credited service that the participant would have completed at normal retirement date. The benefit of a vested terminated participant will commence on his normal retirement date. However, such a participant may request that his monthly benefits commence as of the first day of the month coincident with or next following the date he attains the eligibility age for early retirement. If monthly benefits begin prior to a participant's normal retirement date, the monthly amount paid will be reduced in the same manner as early retirement benefits. No benefits are payable if a vested terminated participant dies prior to the date his payments commence under the plan.

Actuarial Valuation Information

The following is information from the most recently available actuarial valuation which was as of July 1, 2014, as well as for the two years prior to that:

Actuarial Valuation Information

Actuarial Valuation Date	7/1/2014	7/1/2013	7/1/2012
Actuarial Accrued Liability	\$ 3,439,427	\$ 3,475,136	\$ 3,610,816
Actuarial Value of Assets	3,867,617	3,561,310	3,269,354
Unfunded Actuarial Accrued Liability	428,190	86,174	(341,462)
Net Periodic Pension Costs	\$ N/A *	\$ N/A *	\$ 136,560
Contributions	(480,777)	(478,390)	(373,475)
Benefits Paid	250,539	264,689	267,602

* This calculation was not available in the Actuarial Valuation Report for the years above

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 14 – Priests’ Employee Pension Plan (continued):

Actuarial Valuation Information (continued)

The following is information regarding the actuarial valuation assumptions used for the actuarial valuation as of July 1, 2014, as well as for the two years prior to that:

Actuarial Valuation Information

Actuarial Valuation Date	<u>7/1/2014</u>	<u>7/1/2013</u>	<u>7/1/2012</u>
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percentage of Payroll, Open	Level Percentage of Payroll, Open	Level Percentage of Payroll, Open
Amortization Period in Years	15.7	15.7	15.7
Asset Valuation Method	Long-term Appreciation with adjustment	Long-term Appreciation with adjustment	Long-term Appreciation with adjustment
Retirement Age	70	70	70
Actuarial Assumptions:			
Investment Return *	4.75	4.75	4.75%
Projected Salary Increases*	0.00%	0.00%	0.00%
Inflation	3.00%	3.00%	3.00%
Cost-of-living Adjustments	0.00%	0.00%	0.00%

* Includes inflation at the stated rate

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 15 – Operating Leases:

The DPC leases copy machines and equipment under various non-cancelable operating leases. Total lease expense for such leases was \$49,744 for the year ended June 30, 2015, including supplies and other costs. The future minimum lease payments for these operating leases are as follows:

<u>Fiscal Year Ending June 30:</u>	<u>Payments</u>
2016	\$ 31,957
2017	29,939
2018	13,238
2019	4,888
2020	4,888
	<u>84,910</u>
	<u>\$ 84,910</u>

Note 16 – Related Party Transactions:

The DPC has significant transactions with the Roman Catholic Diocese of Amarillo Deposit and Loan (the D&L). The D&L is a cooperative investment and lending program for the mutual benefit of Diocesan organizations. The amounts held by the D&L were reported as cash and cash equivalents on the statement of financial position. The DPC's account balances with the D&L as of June 30, 2015 as well as the amount of interest income received on the accounts with the D&L for the year ended June 30, 2015 are as follows:

<u>Funds on Deposit</u>	<u>Account Balance</u>	<u>Interest Earned</u>
Deposit and Loan Savings	\$ 1,070,615	\$ 31,580
Catholic School System Savings	6,225	184
Grand Street Property	111,492	2,189
Diocese Bus Fund Savings	18,657	540
Total	<u>\$ 1,206,989</u>	<u>\$ 34,493</u>

Note 17 – Subsequent Events:

Management has evaluated subsequent events through October 29, 2015, the date on which the financial statements were available to be issued. Management has not identified anything subsequent to year end that would warrant disclosure in the notes to the financial statements.

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015**

Activity center	\$ 13,288
Building and equipment depreciation	33,884
Business office	224,105
Central accounting	64,373
Charter costs	64,386
Development office	201,999
Discernment house	240
General administrative	358,299
Human resources	55,070
Information technology department	61,902
Miscellaneous	127,657
Plant and maintenance	193,575
Print shop	55,433
Risk management	<u>44,836</u>
	<u>\$ 1,499,047</u>

See the independent auditor's report.