ROMAN CATHOLIC DIOCESE OF AMARILLO
DEPOSIT AND LOAN FUND

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2020

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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 Deposit & Loan Fund (a non-profit organization) (the "D&L"), which consist of the statement of financial position as of June 30, 2020, 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

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Roman Catholic Diocese of Amarillo Deposit & Loan Fund as of June 30, 2020 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.

Emphasis of Matter

As discussed in Note 7 to the financial statements, the D&L has been negatively impacted by the effects of the worldwide coronavirus pandemic. The D&L's management and finance council continues to monitor its operations in response to the uncertainty of this situation. The full extent of the impact of this event on the D&L's financial position is not know as of the date of this report. The financial statements do not contain any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Brown, Graham & Company, P.C.

Amarillo, Texas
October 29, 2020

ROMAN CATHOLIC DIOCESE OF AMARILLO
DEPOSIT AND LOAN FUND
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

Assets:		
Cash and cash equivalents	$	1,005,435
Investments		10,886,414
Loans receivable, including $1,176 of accrued interest receivable		2,812,416
Loans receivable - related party, including $1,891 of accrued interest receivable		460,892
Total assets	$	15,165,157
Liabilities:		
Deposits payable	$	14,822,372
Deposits payable - related party		69,790
Total liabilities		14,892,162
Net Assets:		
Without donor restrictions:		
Undesignated		272,995
Total liabilities and net assets	$	15,165,157

ROMAN CATHOLIC DIOCESE OF AMARILLO
DEPOSIT AND LOAN FUND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Change in net assets without donor restrictions:		
Revenue, gains and other support without donor restrictions:		
Investment income	$	257,189
Interest earned		133,137
Interest earned - related party		24,797
Net realized gains on investments		87,246
Net unrealized gains on investments		147,920
Total revenue and other support		650,289
Expenses:		
Investment Services:		
Interest paid on deposits		420,525
Interest paid on deposits - related party		2,063
Investment expenses		60,410
Other		10,800
Total expenses		493,798
Net change in net assets without donor restrictions		156,491
Net assets - beginning of year		116,504
Net assets - end of year	$	272,995

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

ROMAN CATHOLIC DIOCESE OF AMARILLO
DEPOSIT AND LOAN FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Cash flows from operating activities:		
Change in net assets	$	156,491
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Net realized gains on investments		(87,246)
Net unrealized gains on investments		(147,920)
(Increase) decrease in:		
Loans receivable		742,207
Loans receivable - related parties		72,542
Increase (decrease) in:		
Deposits payable		882,362
Net cash flows from operating activities		1,618,436
Cash flow from investing activities:		
Proceeds from sale of investments		950,000
Purchases of investments		(2,860,562)
Net cash flows from investing activities		(1,910,562)
Net change in cash and cash equivalents		(292,126)
Cash and cash equivalents - beginning of year		1,297,561
Cash and cash equivalents - end of year	$	1,005,435
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest on deposits payable	$	420,525
Cash paid during the year for interest on deposits payable - related parties	$	2,063

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

ROMAN CATHOLIC DIOCESE OF AMARILLO
DEPOSIT & LOAN FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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 Roman Catholic Diocese of Amarillo Deposit and Loan Fund (the "D&L") was established in June 2002 by the Diocese. It is a separate Texas non-profit corporation formed for the cooperative investment and lending of funds for the mutual benefit of parishes and organizations in the Diocese. There is a two percentage point difference between the interest charged and the interest paid.

The accompanying financial statements of the D&L include only the investing and lending activities performed for the mutual benefit of the parishes and organizations served by the D&L and do not include any financial information for the activities performed by these separate legal entities.

Basis of Presentation

The accompanying financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and with the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities.* Net assets, related revenues, gains and other support are classified based upon the existence or absence of donor-imposed stipulations, as follows:

Net assets without donor restrictions – Includes all resources that are not subject to any donor-imposed restrictions

Net assets with donor restrictions – Net assets whose use is limited by donor-imposed restrictions that either expire with the passage of time or, can be fulfilled and removed by the actions of the D&L pursuant to those restrictions or, require such resources to be maintained in perpetuity and the income utilized for operating or other donor-restricted purposes.

The accompanying financial statements exclude the assets, liabilities, net assets and activities of the Diocese, individual parishes, schools, the Roman Catholic Diocese of Amarillo Pastoral Center, the Bishop DeFalco Retreat Center and other church organizations, which operate within the Diocese of Amarillo. Although ultimately responsible to the Bishop, each is an operating entity distinct from the D&L that 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 D&L considers cash in operating bank accounts, cash on hand, money market funds held in the D&L's investment accounts and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts and Loans Receivable

The D&L follows the direct write-off method of expensing accounts and loans 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 D&L did not write off any receivables because none were considered to be uncollectible.

Contributions

The D&L reports contributions in the net assets with donor restrictions class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released and reclassified to net assets without donor restrictions in the Statement of Activities. Donor-restricted contributions are initially reported in the net assets with donor restrictions class if the D&L is unable to satisfy the donor restriction in the same financial reporting period. If the D&L is able to satisfy the donor restriction in the same reporting period, the contribution is initially reported in the net assets without donor restrictions class.

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.

Federal Income Tax

The D&L 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 D&L'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. Management 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. Management 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 D&L has no open examinations with either the Internal Revenue Service or state taxing authorities. The D&L has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code.

The D&L'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.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets. Investments held in alternative structures are recorded at net asset values provided by external investment managers as a practical expedient in determining fair value. Because such investments are not readily marketable, the estimated value is subject to uncertainty and therefore may differ materially from the value that would have been used had a ready market for such investments existed. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

Risks and uncertainties

The D&L invests in various types of investment securities. These investments are exposed to several risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investment securities will occur in the near term and those changes could materially affect the amounts reported in the D&L's financial statements.

Note 2 – Loans Receivable:

Loans are made from the D&L Fund to schools, parishes, and others within the Diocese with the approval of the Bishop and the Finance Council. Outstanding loan balances are not secured by a formal deed of trust or other type of security agreement. Loan activity in the D&L fund for the year ended June 30, 2020 was as follows:

Loans to:	Balance 7/1/2019	Loans Awarded	Interest Charges Added	Principal Payments Received	Interest Payments Received	Balance 6/30/2020
Parishes	$ 3,530,027	$ -	$ 131,037	$ (739,545)	$ (131,629)	$ 2,789,890
Schools	-	72,800	931	(72,800)	(870)	61
Others	24,596	-	1,169	(2,137)	(1,163)	22,465
Total	$ 3,554,623	$ 72,800	$ 133,137	$ (814,482)	$ (133,662)	$ 2,812,416

Note 3 – Deposits Payable:

Deposits payable consist of amounts remitted by various parishes, schools, and others to the D&L in order to pool funds together for the cooperative investment of funds. The invested funds are described in more detail in Note 4 below. Deposit activity in the D&L fund for the year ended June 30, 2020 was as follows:

Deposits from:	Balance 7/1/2019	Deposits and Interest Added	Distributions and Interest Paid	Balance 6/30/2020
Parishes	$ 7,768,911	$ 1,187,240	$ (512,791)	$ 8,443,360
Schools	1,076,677	355,703	(586,000)	846,380
Others	5,164,212	3,545,210	(3,107,000)	5,602,422
Total	$ 14,009,800	$ 5,088,153	$ (4,205,791)	$ 14,892,162

Note 4 – Investments:

FASB ASC 958-320, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by ASC Topic 820, are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities);

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability (examples include corporate or municipal bonds and certain types of hedge funds);

Level 3: Inputs to the valuation methodology are unobservable (supported by little or no market activity) and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities and certain types of hedge funds).

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 need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at June 30, 2020.

The methods used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the D&L believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments classified as Level 1 consist of mutual funds that invest in equity securities (stocks) and debt securities (bonds). Because these mutual funds are publicly traded with quoted market prices for identical assets in active markets, they are considered to be at the highest level of observable inputs. The mutual funds themselves are based upon the quoted market price as of June 30, 2020 for the particular investment held.

Investments classified as Level 2 trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These generally include certain U.S. government and sovereign obligations, most government agency securities, investment grade corporate bonds, certain mortgage products, certain bank loans and bridge loans, less liquid listed equities, state, municipal and provincial obligations, most physical commodities and certain loan commitments. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investment income reported on the statement of activities in the amount of $257,189 consisted of interest earned and dividends received on investments during the year. In addition to investment income, the D&L's investments had $87,246 in net realized gains on investments and $147,920 in net unrealized gains on investments. The D&L also incurred $60,410 of investment related fees and expenses for the year, as reported on the statement of activities.

The D&L's investments as of June 30, 2020 broken down by the type of investment are as follows:

Description	Quoted Market Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Total Fair Value 6/30/2020
Asia ex-Japan Equity	$ 98,403	$ -	$ 98,403
EAFE Equity	749,398	-	749,398
Global Equity	79,985	-	79,985
Global Fixed Income	44,462	-	44,462
Hedge Funds	76,744	-	76,744
European Large Cap Equity	161,401	-	161,401
Real Estate & Infrastructure	10,545	-	10,545
Japanese Large Cap Equity	227,282	-	227,282
Non-U.S. Fixed Income	832,063	-	832,063
Short Term Fixed Income	-	266,189	266,189
U.S. Fixed Income	3,120,209	2,319,727	5,439,936
U.S. Large Cap Equity	2,900,006	-	2,900,006
Total	$ 8,300,498	$ 2,585,916	$ 10,886,414

Note 5 – Related Party Transactions:

The D&L has significant transactions with the Roman Catholic Diocese of Amarillo Diocesan Pastoral Center (the "DPC"). The DPC is a separate organization that oversees the various entities located within the Diocese, including the D&L. The DPC's account balances with the D&L as of June 30, 2020 as well as the amount of interest paid to the DPC on accounts held within the D&L for the year ended June 30, 2020 are as follows:

Funds on Deposit	Account Balance	Interest Paid
Deposit and Loan Savings	$ 3,986	$ 116
Grand Street Property	35,402	1,048
Diocese Bus Fund Savings	23,169	685
Catholic School System Savings	7,233	214
Total	$ 69,790	$ 2,063

The Diocese has been in the process of a major fundraising campaign for multiple purposes, including a new administration building for the DPC, as well as improvements for the Bishop DeFalco Retreat Center, Catholic Charities, priest seminary, priest education, and priest retirement housing. The activity for this campaign is being accounted for in a separate entity created by the Diocese entitled Preparing the Way. The funds for this entity are being maintained by the D&L. Once completed, the administration building was gifted to the DPC and recorded as an asset on the DPC's records. The construction of the administration building was completed in January, 2017 at which time a donation in the amount of $6,000,000 was recorded by the Diocese from Preparing the Way.

Included in the D&L funds held for other Diocesan entities as of June 30, 2020 is $1,884,709 being held for Preparing the Way which is included in deposits payable on the statement of financial position. During the year ended June 30, 2020, the activity for the Preparing the Way funds held by the D&L was total cash received of $295,452, interest credited to the Preparing the Way account of $54,829, and distributions in the amount of $263,449.

During the year ended June 30, 2020, the D&L loaned funds to the DPC for operating purposes. There is no formal loan agreement between the D&L and the DPC. Interest on the loan is payable at 5.00% and principal repayments are at the discretion of management of the DPC. The following is a summary of activity on the loan to the DPC for the year ended June 30, 2020:

Operating Loan	Balance 7/1/2019	Funds Advanced	Interest Added	Repayments Received	Interest Received	Balance 6/30/2020
Diocese Pastoral Center	$ 533,434	$ 50,000	$ 24,797	$ (120,000)	$ (27,339)	$ 460,892

Note 6 – Concentration of Credit Risk:

The D&L maintains a bank account at a financial institution insured by the Federal Deposit Insurance Corporation (FDIC). The cash account is federally insured up to $250,000 and deposits at this institution exceeded federally insured limits. The amount in excess of FDIC insurance was approximately $546,052 as of June 30, 2020.

Note 7 – Effects of the COVID-19 Pandemic:

On March 13, 2020, the President of the United States declared a national emergency and the Governor of Texas declared COVID-19 as a statewide public health disaster. The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets, impacting essentially all entities including the D&L. Management is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. While the potential impact of the pandemic on the D&L cannot be quantified as this time, the continued outbreak of COVID-19 could have an adverse effect on the D&L's operations and financial condition. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 8 – Statement of Functional Expense:

Management has elected to omit the required statement of functional expenses in the D&L's financial statements. The typical expenses for the D&L consist solely of investment and financing related activities that are already presented on the statement of activities. Management does not believe the omission of the statement of functional expenses has a material impact on the D&L's financial statements.

Note 9 – Liquidity and Availability of Financial Assets:

The D&L's primary sources of support are the investing and lending activities performed for the mutual benefit of the parishes and organizations. The Diocese has a policy to manage its liquidity and reserves essentially following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The table below reflects the Diocese financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations, which includes deposits payable held for other entities with in the Diocese.

Cash and cash equivalents	$	1,005,435
Investments		10,886,414
Loans receivable		2,812,416
Loans receivable - related parties		460,892
Total financial assets		15,165,157
Less: Deposits payable		(14,822,372)
Less: Deposits payable - related party		(69,790)
Financial assets available to meet cash needs for expenditures within one year not restricted by contractual obligation or donor restrictions	$	272,995

Note 10 – Subsequent Events:

Management has evaluated subsequent events through October 29, 2020, the date on which the financial statements were available to issue. Management has not identified anything subsequent to year end that would warrant disclosure in the notes or adjustment to the financial statements.