

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

**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 Diocesan Pastoral Center (a non-profit organization) (the "DPC"), which consist of the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, 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.

In addition, the DPC's notes to the financial statements do not include all of the required disclosures for its Priest's Defined Benefit Employee Pension Plan discussed in Note 14. Although the DPC has disclosed various information regarding this pension plan, in our opinion the information included does not meet all of the disclosure requirements of accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, 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, 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.

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 22 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.

Emphasis of Matter

As discussed in Note 5 to the financial statements, the DPC has been negatively impacted by the effects of the worldwide coronavirus pandemic. The DPC'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 DPC's financial position is not known 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
DIOCESAN PASTORAL CENTER
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Assets:</u>	
Cash and cash equivalents	\$ 191,628
Accounts receivable, net of allowance for uncollectibles of \$309,077	191,598
Prepaid expenses	50,854
Property and equipment, net	7,618,906
Collection - art objects	<u>28,000</u>
Total assets	<u>\$ 8,080,986</u>
<u>Liabilities:</u>	
Accounts payable	\$ 127,364
Grants payable	1,000
Custodial funds payable	95,446
Deferred revenue	302,197
Loans payable	280,500
Notes payable - related party, including \$1,892 of accrued interest payable	<u>460,892</u>
Total liabilities	<u>1,267,399</u>
<u>Net Assets:</u>	
Without donor restrictions:	
Undesignated	6,065,504
Board-designated	35,402
With donor restrictions:	
Restricted by purpose or time	<u>712,681</u>
Total net assets	<u>6,813,587</u>
Total liabilities and net assets	<u>\$ 8,080,986</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, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Change in net assets:			
Revenue, gains and other support:			
United Catholic Appeal	\$ 1,168,367	\$ -	\$ 1,168,367
Cathedraticum tax	1,006,185	-	1,006,185
Other assessments	286,111	116,737	402,848
Contributions and bequests	82,823	-	82,823
Interest income, net	3,762	-	3,762
Deposit and loan distributions	1,048	-	1,048
Fund raising income	-	62,556	62,556
Grant income	56,000	780,289	836,289
Miscellaneous income	132,155	35,663	167,818
Rent income	17,626	-	17,626
Total revenue, gains and other support	<u>2,754,077</u>	<u>995,245</u>	<u>3,749,322</u>
Net assets released from restrictions	<u>841,310</u>	<u>(841,310)</u>	<u>-</u>
Total revenue, gains and other support	<u>3,595,387</u>	<u>153,935</u>	<u>3,749,322</u>
Expenses:			
Program services:			
Amarillo Catholic School System	127,368	-	127,368
Christian formation	80,617	-	80,617
City ministries	176,252	-	176,252
Dioconate office	120,015	-	120,015
Education	15,732	-	15,732

Hispanic ministries	6,456	-	6,456
Miscellaneous	435,662	-	435,662
Priest service	247,767	-	247,767
Seminary education	124,320	-	124,320
Tribunal	72,812	-	72,812
Tuition assistance	146,625	-	146,625
West Texas Catholic Newspaper	180,668	-	180,668
Youth ministries	116,893	-	116,893
Grant distributions	88,550	-	88,550
Planned annual subsidies	243,046	-	243,046
Supporting services:			
Administrative and general	1,911,264	-	1,911,264
Fund raising	96,000	-	96,000
Total expenses	<u>4,190,047</u>	<u>-</u>	<u>4,190,047</u>

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
STATEMENT OF ACTIVITIES (continued)
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Change in net assets	(594,660)	153,935	(440,725)
Net assets - beginning of year	<u>6,695,566</u>	<u>558,746</u>	<u>7,254,312</u>
Net assets - end of year	<u>\$ 6,100,906</u>	<u>\$ 712,681</u>	<u>\$ 6,813,587</u>

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Program Services</u>	<u>Grant Distributions</u>	<u>Planned Annual Subsidies</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 504,161	\$ -	\$ -	\$ 593,454	\$ -	\$ 1,097,615
Payroll taxes	29,118	-	-	43,224	-	72,342
Employee benefits	192,459	-	-	290,718	-	483,177
Total employee related expenses	<u>725,738</u>	<u>-</u>	<u>-</u>	<u>927,396</u>	<u>-</u>	<u>1,653,134</u>
Allocated overhead expense	69,713	-	-	49,672	-	119,385
Bank service charges	-	-	-	93	-	93
Bishop and Priest expense	81,039	-	-	7,372	-	88,411
Contract labor	19,446	-	-	40,502	-	59,948
Depreciation	34,209	-	-	288,317	-	322,526
Dues and subscriptions	2,551	-	-	28,602	-	31,153
Education expense	247,289	-	-	-	-	247,289
Grant distributions	278,530	88,550	-	-	-	367,080
Fundraising expenses	-	-	-	-	96,000	96,000
Insurance	-	-	-	122,455	-	122,455
Interest	-	-	-	24,813	-	24,813
Legal	-	-	-	68,050	-	68,050
Meeting	20,866	-	-	960	-	21,826
Miscellaneous	15,088	-	-	14,710	-	29,798
Ministry expense	76,006	-	-	17,770	-	93,776
Planned annual subsidies	-	-	243,046	-	-	243,046
Postage	39,695	-	-	11,244	-	50,939
Printing	52,862	-	-	95,358	-	148,220
Professional fees	56,607	-	-	30,784	-	87,391
Public relations	-	-	-	10,000	-	10,000
Repairs and maintenance - buildings	-	-	-	3,263	-	3,263
Repairs and maintenance - equipment	1,577	-	-	44,258	-	45,835
Security	-	-	-	11,026	-	11,026
Seminary	98,553	-	-	-	-	98,553
Small furniture and equipment	-	-	-	584	-	584
Software	128	-	-	35,042	-	35,170
Supplies	2,563	-	-	49,898	-	52,461
Training	25,511	-	-	-	-	25,511
Utilities	3,216	-	-	29,095	-	32,311
Total functional expenses	<u>\$ 1,851,187</u>	<u>\$ 88,550</u>	<u>\$ 243,046</u>	<u>\$ 1,911,264</u>	<u>\$ 96,000</u>	<u>\$ 4,190,047</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, 2020**

Cash flows from operating activities:

Change in net assets	\$ (440,725)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	322,526
(Increase) decrease in:	
Accounts receivable	(4,527)
Prepaid expenses	(7,234)
Increase (decrease) in:	
Accounts payable	41,056
Custodial funds payable	(79,298)
Deferred revenue	(51,418)
Net cash flows from operating activities	<u>(219,620)</u>

Cash flows from investing activities:

Purchase of property and equipment	<u>(2,301)</u>
Net cash flows from investing activities	<u>(2,301)</u>

Cash flows from financing activities:

Advances on loans payable	280,500
Advances on notes payable - related party	47,458
Payments on notes payable - related party	<u>(120,000)</u>
Net cash flows from financing activities	<u>207,958</u>
Net changes in cash and cash equivalents	(13,963)
Cash and cash equivalents - beginning of year	<u>205,591</u>
Cash and cash equivalents - end of year	<u>\$ 191,628</u>

Supplemental disclosure of cash flow information:

Cash paid during the year for interest on loans	<u>\$ 27,339</u>
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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, 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 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 have been 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 expendable for carrying out DPC’s mission that are not subject to 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 DPC 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 assets, liabilities, net assets and financial activities of individual parishes, schools, the Roman Catholic Diocese of Amarillo Deposit and Loan Fund, 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 DPC 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 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 17 below to be a cash equivalent based upon the ability to convert these assets to cash in a short period of time.

Contributions

The DPC 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 DPC is unable to satisfy the donor restriction in the same financial reporting period. In additions, even if the DPC is able to satisfy the donor restriction in the same reporting period, the contribution is also 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.

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 a previous year, the DPC wrote off \$309,077 of receivables, which was reported as a reduction in the total accounts receivable on the statement of financial position. Payment plans are in place for the long-term collection of these receivables. Management intends to vigorously continue its attempts to collect these bad debts in the future.

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 5-40 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.

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

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.

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 \$0 for the year ended June 30, 2020.

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, 2020. 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.

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>2,150,989</u>
Net assets with donor restrictions understated	\$ <u>2,150,989</u>
Change in net assets understated:	
Investment income, net of investment expenses	\$ 90,164
Withdrawals from the Foundation	(79,310)
Total amount that change in net assets is understated	\$ <u>10,854</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 GAAP. The DPC also has elected to exclude many of the disclosures required by GAAP that are applicable to defined benefit plans. Additional information on the defined benefit pension plan is discussed in Note 14.

Net unfunded pension asset understated	\$ <u>340,812</u>
Unrestricted net assets understated	\$ <u>340,812</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>618,091</u>

Note 3 – Property and Equipment:

Property and equipment as of June 30, 2020 was as follows:

Land	\$ 22,605
Buildings and improvements	8,636,768
Holy Cross Academy building	1,122,711
Vehicles	21,102
Furniture and equipment	<u>577,687</u>
Total cost of property and equipment	10,380,873
Less: accumulated depreciation	<u>(2,761,967)</u>
Property and equipment, net of accumulated depreciation	\$ <u>7,618,906</u>

In previous years, the DPC had purchased art objects totaling \$28,000. The art objects which include a painting and various statues are reported on the statement of financial position under the category: Collection – art objects. The total value of art objects as of June 30, 2020 reported on the statement of financial position was \$28,000. The art objects are being held for historical purposes and are not being depreciated. Although not a common practice, the DPC may purchase other art objects in the future at which time they will be valued at their cost at the time of acquisition, or fair value at the time of donation if an art object is contributed to the DPC.

The previous facility utilized by the Diocese for its administrative offices is no longer in service and is currently awaiting demolition. The total cost of \$348,986 for the building, net of accumulated depreciation of \$348,986 has been excluded from the total property and equipment shown above.

Note 4 – Deferred Revenue:

The DPC received funding from the following sources during the year ended June 30, 2020 that were reported as deferred revenue as follows:

<u>Source/Purpose</u>	
United Catholic Appeal for fiscal year 2020/2021	\$ 178,042
Catholic Extension for fiscal year 2020/2021	122,600
World Youth Day	<u>1,555</u>
Total	\$ <u>302,197</u>

Note 5 – Effects of the COVID-19 Pandemic and Loans Payable:

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 DPC. Management and the finance council are closely monitoring its operations and are actively working to minimize the impact of this pandemic. While the potential impact of the pandemic on the Diocese cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the Diocese operations and financial condition. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In response to the pandemic, the DPC applied for and was approved for a paycheck protection program loan with Amarillo National Bank that was made available as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in the amount of \$280,500. Proceeds from the loan were used to subsidize parish assessments due and payable to the DPC beginning in April 2020. If not forgiven, the note is payable in 18 monthly installments of \$15,786 including principal and interest at 1% beginning November 15, 2020. As part of the CARES Act, this loan has the possibility to be forgiven if spent within the requirements of the agreement. The DPC believes the entire loan balance will be forgiven and has submitted the loan forgiveness application to the Small Business Administration (SBA). As of the date of this report, the loan forgiveness application has not been approved by the SBA, and consequently, the balance of the loan is included as a loan payable on the statement of financial position as of June 30, 2020.

In the event the loan is not forgiven, the payment terms of the loan are as follows:

<u>Fiscal Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 124,743	\$ 2,015	\$ 126,758
2022	<u>155,757</u>	<u>835</u>	<u>156,592</u>
	\$ <u>280,500</u>	\$ <u>2,850</u>	\$ <u>283,350</u>

Note 6 – 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 7 – 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 \$42,369 as of June 30, 2020.

Note 8 – Grant Revenue:

Grant income for the year ended June 30, 2020 consisted of the following:

<u>Source/Purpose</u>	
Catholic Church Extension Society	\$ 108,529
Catholic Foundation of the Texas Panhandle	67,282
Committee on the Home Missions	170,000
Kenedy Memorial Foundation	200,000
Scanlan Foundation	180,000
Others	<u>110,478</u>
Total	\$ <u>836,289</u>

Note 9 – Operating Leases:

The DPC leases copy machines and equipment under various non-cancelable operating leases. Total lease expense for such leases was \$59,592 for the year ended June 30, 2020, excluding supplies and other costs, which is reported in the postage and printing categories on the statement of functional expenses. The future minimum lease payments for these operating leases are as follows:

<u>Fiscal Year Ending June 30:</u>	
2021	\$ 35,274
2022	22,212
2023	8,161
2024	3,214
2025	<u>2,678</u>
	\$ <u>71,539</u>

Note 10 – Net Asset without Donor Restrictions – Board-Designated:

The Bishop and Finance Council have designated a fund to accumulate reserves for long-term building projects. At June 30, 2020, this fund had a balance of \$35,402.

Note 11 – Net Assets with Donor Restrictions – Restricted as to Time or Purpose:

The following is a summary of DPC's net asset with donor restrictions for the year ended June 30, 2020:

	Balance 7/1/2019	Amounts Added	Restrictions Satisfied	Balance 6/30/2020
Restricted by time and purpose:				
Christian formation	\$ 6,306	\$ 103,078	\$ (80,517)	\$ 28,867
City ministries	-	23,600	(23,600)	-
Communications	-	27,200	(27,200)	-
Catholic School tuition assistance	-	99,538	(99,538)	-
Home missions	-	79,100	(79,100)	-
Office of Diaconate	-	37,000	(37,000)	-
Diocesan ministries	8,112	30	-	8,142
Participation fees (conferences)	6,504	-	-	6,504
Deaf ministry	-	100	(100)	-
Priest anniversary/birthday gifts	950	3,550	(2,550)	1,950
Priest services	-	50,100	(50,100)	-
Priest's study week	2,335	-	(581)	1,754
Respect life	-	18,875	(13,934)	4,941
Respect life banquet	-	53,681	(53,681)	-
Sabbaticals and continuing education	263,135	17,199	-	280,334
Seminary burse endowment	48,262	42,542	(6,720)	84,084
Seminary education	-	152,600	(117,600)	35,000
Spirituality and evangelical	-	12,000	(5,000)	7,000
Stewardship	-	11,129	(11,129)	-
Tuition assistance	199,583	164,740	(146,625)	217,698
World youth day	22,784	-	-	22,784
Youth retreat	-	595	-	595
Youth ministry	-	67,200	(67,200)	-
Youth rally	-	31,388	(19,135)	12,253
Youth summer camp	775	-	-	775
Total restricted by purpose or time	\$ 558,746	\$ 995,245	\$ (841,310)	\$ 712,681

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 1,000 hours 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 in contributions from the DPC after 3 years of eligible service. The DPC contributed \$45,216 during the year ended June 30, 2020. Employee contributions for the year were \$77,472.

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 expenses of \$315,618 during the year ended June 30, 2020 in group insurance costs, which are included in employee benefits on the statement of functional expenses.

Note 14 – Priests' Employee Pension Plan:**Plan Summary**

The Diocese 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. The pension plan was adopted effective July 1, 1982, and was most recently amended May 1, 2015. The amendment was approved by the Internal Revenue Service in a determination letter dated May 11, 2015. The amendment increases the monthly benefit payments for participants. A participant who retires on his normal retirement date will receive a benefit of \$1,900 per month, which is an increase of \$700 per month from what the plan had previously provided.

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 \$1,900 per month. Benefits are payable for as long as the participant is living.

Note 14 – Priests' Employee Pension Plan (continued):**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.

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, 2019, as well as for the two years prior to that:

Actuarial Valuation Information			
Actuarial Valuation Date	7/1/2019	7/1/2018	7/1/2017
Actuarial Accrued Liability	\$ 4,413,253	\$ 4,616,333	\$ 5,287,644
Actuarial Value of Assets	4,754,065	4,339,054	4,126,181
Unfunded Actuarial Accrued Liability	340,812	(277,279)	(1,161,463)
Net Periodic Pension Costs	\$ N/A *	\$ N/A *	\$ N/A *
Contributions	(332,444)	(282,614)	(137,937)
Benefits Paid	261,350	299,147	333,830

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

The following is information regarding the actuarial valuation assumptions used for the actuarial valuation as of July 1, 2019, as well as for the two years prior to that:

Actuarial Valuation Information			
Actuarial Valuation Date	7/1/2019	7/1/2018	7/1/2017
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%

Note 15 – Related Party Transactions:

The DPC has significant transactions with the Roman Catholic Diocese of Amarillo Deposit and Loan Fund (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 that are attributable to the DPC 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, 2020 as well as the amount of interest income received on the accounts with the D&L for the year ended June 30, 2020 are as follows:

<u>Funds on Deposit</u>	<u>Account Balance</u>	<u>Interest Earned</u>
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	<u>7,233</u>	<u>214</u>
Total	<u>\$ 69,790</u>	<u>\$ 2,063</u>

During the year ended June 30, 2020, the DPC borrowed \$50,000 from the Diocese Deposit & Loan Fund (the "D&L"), a related party, for operations. There is no formal loan agreement between the DPC and the D&L. Interest on the loan is payable at 5% and principal payments are to be made 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:

	<u>Balance 7/1/2019</u>	<u>Notes Added</u>	<u>Interest Added</u>	<u>Note Payments</u>	<u>Interest Paid</u>	<u>Balance 6/30/2020</u>
Diocese Deposit & Loan Fund	\$ 533,434	\$ 50,000	\$ 24,797	\$ (120,000)	\$ (27,339)	\$ 460,89

Note 16 – Recently Issued Accounting Pronouncements:

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02 *Leases* (Topic 842), which supersedes the lease requirements in *Leases* (Topic 840). The objective of the ASU is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. The FASB is issuing this Update to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This ASU is effective for financial statements with a reporting period beginning after December 15, 2020. In June 2020, the FASB issued ASU 2020-05. The objective of the ASU is to defer the effective date for ASU 2016-02 for one year. Management is currently evaluating the effects that this standard will have on the financial statements of the DPC.

Note 17 – Liquidity and Availability of Financial Assets:

The DPC's primary sources of support are 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 the 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 Organization 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 Organization's 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.

Cash and cash equivalents	\$ 191,628
Receivables	<u>191,598</u>
Total financial assets	383,226
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	<u>(383,226)</u>
Financial assets available to meet cash needs for expenditures within one year not restricted by contractual obligation or donor restrictions	<u>\$ -</u>

Note 18 – 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.

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

Activity center	\$ 13,968
Building and equipment depreciation	253,985
Business office	261,308
Central accounting	65,128
Charter costs	122,493
Development office	166,315
Discernment house	402
Equipment depreciation	14,744
General administrative	279,449
Human resources	5,393
Information technology department	139,371
Miscellaneous	218,147
Plant and maintenance	233,965
Print shop	84,866
Risk management	<u>51,730</u>
	<u>\$ 1,911,264</u>