

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED JUNE 30, 2012 and 2011

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

Independent Auditors' Report

We have audited the accompanying statements of financial position of the Roman Catholic Diocese of Amarillo Diocesan Pastoral Center (the "DPC") as of June 30, 2012 and 2011, and the related statements of activities and cash flow for the years then ended. These financial statements are the responsibility of the DPC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully described in Note 2 to the financial statements, the DPC has not adopted Statement of Financial Accounting Standard Board (FASB) ASC 958-605 and ASC 715-20-65-1 . In our opinion the adoption of ASC 958-605 and ASC 715-20-65-1 is necessary for the DPC's financial statements to conform to accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of the departure from ASC 958-605 and ASC 715-20-65-1 as discussed in the preceding 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, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cornell & Company, P.C
November 28, 2012

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 1,133,400	\$ 1,014,496
Accounts receivable parishes & other entities	217,303	224,310
Prepaid Expenses	2,175	36,301
Short term note receivable	5,440	-
Total current assets	<u>1,358,318</u>	<u>1,275,107</u>
Investments	51,452	51,452
Long term note receivable	65,324	-
Long term accounts receivable - parishes and other entities	77,310	105,388
Land, buildings and equipment, net of accumulated depreciation	<u>1,392,603</u>	<u>1,137,318</u>
Total assets	<u>\$ 2,945,007</u>	<u>\$ 2,569,265</u>
<u>Liabilities</u>		
Accounts payable	\$ 130,298	\$ 65,977
Payroll liabilities	42,063	112,397
Grants payable	9,600	9,600
Custodial funds	117,980	190,700
Deferred Income	689,812	614,294
Notes payable-current portion	<u>33,195</u>	<u>35,992</u>
Total current liabilities	1,022,948	1,028,960
Notes payable - long term portion	<u>225,175</u>	<u>258,369</u>
Total liabilities	1,248,123	1,287,329
<u>Net assets</u>		
Unrestricted:		
Undesignated	1,299,088	962,146
Designated	100,033	-
Temporarily restricted	<u>297,763</u>	<u>319,790</u>
Total net assets	<u>1,696,884</u>	<u>1,281,936</u>
Total liabilities and net assets	<u>\$ 2,945,007</u>	<u>\$ 2,569,265</u>

See Independent Auditors' report and notes to financial statements.

ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
COMPARATIVE STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2012 AND 2011

	2012			2011		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Change in net assets:						
Revenue and other support						
United Catholic Appeal	\$ 1,100,696	\$ -	\$ 1,100,696	\$ 781,589	\$ 298,294	\$ 1,079,883
Cathedraticum tax	810,814	-	810,814	768,936	-	768,936
Other assessments	296,908	125,736	422,644	297,312	125,802	423,114
Contributions and bequests	149,345	-	149,345	59,053	-	59,053
Building Fund	-	100,033	100,033	-	-	-
Net investments income	26,450	-	26,450	16,406	-	16,406
Deposit & Loan Distribution	2,478	-	2,478	-	-	-
Rent income	7,447	-	7,447	17,609	-	17,609
Miscellaneous income	82,898	104,688	187,586	95,058	134,058	229,116
Grant income	-	880,500	880,500	-	1,111,986	1,111,986
Fund raising income	-	142,782	142,782	-	78,452	78,452
Total revenue and other support	<u>2,477,036</u>	<u>1,353,739</u>	<u>3,830,775</u>	<u>2,035,963</u>	<u>1,748,592</u>	<u>3,784,555</u>
Net assets released from restrictions	<u>1,275,733</u>	<u>(1,275,733)</u>	<u>-</u>	<u>1,665,697</u>	<u>(1,665,697)</u>	<u>-</u>
Total increases (decreases) in net assets before expenses	<u>3,752,769</u>	<u>78,006</u>	<u>3,830,775</u>	<u>3,701,660</u>	<u>82,895</u>	<u>3,784,555</u>
Expenses:						
Program services:						
Amarillo Catholic School System	127,883	-	127,883	119,782	-	119,782
Tuition assistance	106,994	-	106,994	100,232	-	100,232
Tribunal	74,390	-	74,390	69,420	-	69,420
Education	58,875	-	58,875	71,413	-	71,413
City ministries	156,224	-	156,224	138,987	-	138,987
Hispanic ministries	23,389	-	23,389	4,973	-	4,973
Christian formation	75,263	-	75,263	63,746	-	63,746
Seminary education	210,288	-	210,288	236,551	-	236,551
Diaconate office	79,986	-	79,986	125,212	-	125,212
West Texas Catholic Newspaper	157,803	-	157,803	154,757	-	154,757
Youth ministries	212,703	-	212,703	266,869	-	266,869
Priest service	165,149	-	165,149	140,213	-	140,213
Miscellaneous program services	184,654	-	184,654	198,379	-	198,379
Planned annual subsidies	195,062	-	195,062	119,712	-	119,712
Grant distributions	159,000	-	159,000	140,778	-	140,778
Supporting services:						
Administrative and general	1,332,164	-	1,332,164	1,247,447	-	1,247,447
Fund-raising	96,000	-	96,000	96,000	-	96,000
Total expenses	<u>3,415,827</u>	<u>-</u>	<u>3,415,827</u>	<u>3,294,471</u>	<u>-</u>	<u>3,294,471</u>
Change in net assets	336,942	78,006	414,948	407,189	82,895	490,084
Prior Period Adjustment	-	-	-	-	(298,294)	(298,294)
Net assets (deficit) at beginning of year	962,146	319,790	1,281,936	554,957	535,189	1,090,146
Net assets (deficit) at end of year	<u>\$ 1,299,088</u>	<u>\$ 397,796</u>	<u>\$ 1,696,884</u>	<u>\$ 962,146</u>	<u>\$ 319,790</u>	<u>\$ 1,281,936</u>

See Independent Auditors' Report and notes to financial statements.

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 414,948	\$ 490,084
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	92,630	87,278
(Increase) decrease in:		
Accounts receivable	41,132	(6,764)
Increase (decrease) in:		
Accounts payable	64,323	(30,710)
Payroll liabilities	(70,334)	14,298
Custodial funds	(72,721)	30,010
Deferred Income	75,517	166,000
Grants Payable	-	(46,000)
	<u>545,495</u>	<u>704,196</u>
Net cash flows from operating activities		
Cash flows from investing activities:		
Long Term Accounts Receivable	28,078	891
Purchase of fixed assets	(447,914)	(21,972)
Proceeds from sales	100,000	4,500
Long Term Note Receivable	(72,500)	-
Collection of Long Term Note Receivable	1,736	-
	<u>(390,600)</u>	<u>(16,581)</u>
Net cash flows from investing activities		
Cash flows from financing activities:		
Payment on debt	(35,991)	(325,923)
Proceeds from issuance of debt	<u>294,588</u>	<u>294,588</u>
Net cash flow from financing activities	<u>(35,991)</u>	<u>(31,335)</u>
Net increase in cash and equivalents	118,904	656,280
Cash and equivalents, beginning of year	<u>1,014,496</u>	<u>358,216</u>
Cash and equivalents, end of year	<u>\$ 1,133,400</u>	<u>\$ 1,014,496</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest on loans	<u>\$ 20,795</u>	<u>\$ 20,083</u>

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**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012 and 2011**

	<u>2012</u>			<u>2011</u>		
	<u>Health Insurance</u>	<u>SMP Insurance</u>	<u>Total</u>	<u>Health Insurance</u>	<u>SMP Insurance</u>	<u>Total</u>
<u>Assets</u>						
Cash and cash equivalents	\$ 425,178	\$ 394,025	\$ 819,203	\$ 344,826	\$ -	\$ 344,826
Total assets	<u>\$ 425,178</u>	<u>\$ 394,025</u>	<u>\$ 819,203</u>	<u>\$ 344,826</u>	<u>\$ -</u>	<u>\$ 344,826</u>
<u>Net assets</u>						
Unrestricted Net Assets	\$ 425,178	\$ 394,025	\$ 819,203	\$ 344,826	\$ -	\$ 344,826
Total net assets	<u>\$ 425,178</u>	<u>\$ 394,025</u>	<u>\$ 819,203</u>	<u>\$ 344,826</u>	<u>\$ -</u>	<u>\$ 344,826</u>

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**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
STATEMENTS OF CHANGES IN NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012 and 2011**

	2012			2011		
	<u>Health</u> <u>Insurance</u>	<u>SMP</u> <u>Insurance</u>	<u>Total</u>	<u>Health</u> <u>Insurance</u>	<u>SMP</u> <u>Insurance</u>	<u>Total</u>
Changes in net assets						
Operating Revenue	\$ 1,264,615	\$ 456,000	\$ 1,720,615	\$ 1,263,407	\$ -	\$ 1,263,407
Interest Income		2,206	2,206	-	-	-
Total increase in net assets before expenses	1,264,615	458,206	1,722,821	1,263,407	-	1,263,407
Expenses						
Administrative Fees & Claims Paid	1,184,263	64,181	1,248,444	1,170,254	-	1,170,254
Total Expenses	1,184,263	64,181	1,248,444	1,170,254	-	1,170,254
Changes in Net Assets	80,352	394,025	474,377	93,153	-	93,153
Net Assets at beginning of year	344,826	-	344,826	251,673	-	251,673
Net Assets at end of year	<u>\$ 425,178</u>	<u>\$ 394,025</u>	<u>\$ 819,203</u>	<u>\$ 344,826</u>	<u>\$ -</u>	<u>\$ 344,826</u>

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ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012 AND 2011

Note 1 – 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 Dioceses 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.

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 classified as unrestricted contributions.

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.

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.

Note 1 – Summary of significant accounting policies (continued):

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 reclassified \$77,310 of receivables, from several Diocesan entities to long-term. This will allow the DPC to collect the receivables and help the entities to better manage their cash flow.

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 and are depreciated in the same manner as purchased assets. Purchased and donated property with a value over \$500 is capitalized.

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 receives their portion of the grant from the DPC.

Proprietary Funds

Revenues and expenses related to services provided inside the DPC on a cost reimbursement basis are accounted for in an internal service fund. The DPC Service Fund is: Self Funded Health Insurance Plan and SMP Insurance Fund. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund’s principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

Income taxes

The Diocese is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Diocese has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

Note 2 – Departures from GAAP:

Financial Accounting Standards Board (FASB) ASC 958-605 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 chose not to implement ASC 958-605 even though the DPC has assets as a beneficiary as described above at June 30, 2012 and 2011. The results of this departure from accounting principles generally accepted in the United States of America (GAAP) is summarized as follows:

	<u>2012</u>	<u>2011</u>
Assets Understated	\$ 2,080,565	\$ 1,955,932
Temporarily Restricted Net Assets Understated	69,833	68,414
Permanently Restricted Net Assets Understated	2,010,732	1,887,518
Change in Net Assets Understated	23,176	5,607

Note 2 – Departures from GAAP (Continued):

ASC 715-20-65-1 was implemented to “improve financial reporting by requiring an employer to recognize the overfunded or underfunded status of a defined benefit plan as an asset or liability in its statement of financial position” and to recognize changes in the funded status of the plan through changes in unrestricted net assets. (See Note 14)

The DPC chose not to implement ASC 715-20-65-1 for its defined benefit plan. The results of this departure from accounting principles generally accepted in the United States of America (GAAP) is summarized as follows:

	<u>2011</u>		<u>2010</u>
Liabilities Understated	\$ 792,664	\$	918,857
Unrestricted Net Assets Overstated	792,664		918,857

The actuarial valuation for July 1, 2012 has not been completed. (See Note 14.)

Note 3 – Land, buildings and equipment:

A summary of land, building and equipment at June 30, follows:

	<u>2012</u>		<u>2011</u>
Land	\$ 22,605	\$	22,605
Buildings and Improvements	1,779,214		2,699,408
Holy Cross Academy Building	1,122,711		1,122,711
Vehicles	32,391		32,391
Furniture and Equipment	289,220		419,371
	<hr/>		<hr/>
Total, at cost	3,246,141		4,296,486
Less: accumulated depreciation	1,853,538		3,159,168
	<hr/>		<hr/>
Net Land, Buildings and Equipment	\$ 1,392,603	\$	1,137,318

Note 4 – Notes payable:

At year-end, notes payable are compromised of the following:

	<u>2012</u>		<u>2011</u>
Note payable to Amarillo National Bank. Due in monthly installments of \$4,000, including interest at 6%. Secured by real property.	\$ 258,370	\$	289,568
Note payable to Great American Phone. Due in monthly installments of \$424, including interest at 11%.	-		4,793
	<hr/>		<hr/>
Total Notes Payable	258,370		294,361
Less: Current Portion	33,195		35,992
Long Term Portion	\$ 225,175	\$	258,369

Long term debt matures on June 30 as follows:

2014	\$ 35,272
2015	37,479
2016	39,802
2017	42,314
2018	44,960
2019	25,348
	<hr/>
	\$ 225,175

Note 5 – Designated net assets:

The Bishop and Finance Council have designated a fund to accumulate reserves for long-term building projects. At June 30, 2012 and 2011, this fund had a balance of \$100,033 and \$0 respectively.

Note 6 - Temporarily restricted net assets:

Temporarily restricted assets at June 30, 2012 are available for the following purposes:

	Balance 6/30/11	Additions	Releases	Balance 6/30/12
Revenue restricted for:				
Sabbaticals and continuing education	\$ 137,723	\$ 17,199	\$ -	\$ 154,922
Priests' Study Week	14,361	9,433	(21,565)	2,229
Bishop's Banquet for Development Office	-	61,810	(61,810)	-
Seminary Burse Endowment	24,482	41,542	(40,670)	25,354
Catholic Schools Tuition Assistance	-	123,844	(123,844)	-
Bishop's Banquet for Respect Life	-	38,907	(38,907)	-
Bishop's Charities	1,453	10	-	1,463
Respect Life	25,110	42,055	(23,575)	43,590
Youth Rally	-	33,592	(33,592)	-
Youth Summer Camp	-	63,451	(63,451)	-
World Youth Day	-	7,643	(7,643)	-
Grant revenue restricted for:				
Home mission	-	38,900	(38,900)	-
Christian formation	40,847	73,600	(89,142)	25,305
Seminary education	-	211,966	(193,066)	18,900
Tuition assistance	-	86,000	(86,000)	-
Communications	-	16,200	(16,200)	-
Priest Services	-	115,000	(95,000)	20,000
Campus ministry	21,000	-	(15,000)	6,000
Office of diaconate	-	83,000	(83,000)	-
Youth ministry	-	33,900	(33,900)	-
Spirituality & Evangelical	20,814	10,000	(30,814)	-
City Ministries	-	90,653	(90,653)	-
"Why Catholic" Program	30,000	30,000	(60,000)	-
Stewardship	-	10,000	(10,000)	-
Catholic Mutual - Risk Management	4,000	-	(4,000)	-
Respect Life	-	10,000	(10,000)	-
Mass stipends	-	5,000	(5,000)	-
Totals	\$ 319,790	\$ 1,253,705	\$ (1,275,732)	\$ 297,763

Note 7 – Lay employee pension plan:

The DPC has a defined contribution pension plan for all eligible lay employees. The plan requires annual contributions of 5% of eligible employee salaries. The DPC contributed \$35,837 and \$35,356, during the years ended June 30, 2012 and 2011 respectively.

Note 8 – Commitments and Contingencies:

Litigation

The Diocese is subject to various commitments and contingent liabilities, including general litigation. Various lawsuits and claims are pending against the Diocese, the majority of which are subject to coverage under the Diocese'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 Diocese.

Note 9 – 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 in coverage for interest bearing accounts and unlimited coverage on non-interest bearing accounts. Cash at these institutions exceeded federally insured limits. The amounts in excess of FDIC insurance totaled \$1.28 million as of June 30, 2012 and \$1.02 million as of June 30, 2011.

Note 10 – Grant income:

Grant income received includes grants from the following sources:

	<u>2012</u>	<u>2011</u>
Catholic Church Extension Society	\$ 330,000	\$ 348,000
Kennedy Memorial Foundation	121,000	215,000
Committee on the Home Missions	135,000	130,000
Scanlan Foundation	175,000	346,000
Catholic Foundation of the Texas Panhandle	66,282	66,282
Black and Indian Mission Office	10,000	-
Others	43,218	6,704
	<u>\$ 880,500</u>	<u>\$ 1,111,986</u>

Note 11 – Investments:

The DPC is a member of a self-insurance pool and has a less than 1% equity interest. The interest is recorded using the equity method under which cost is adjusted for the DPC's share of the profits or losses and distributions. The DPC receives unrestricted dividends. The equity amount as of June 30, 2012 and 2011 is \$51,452 and \$51,452.

Note 12 – Leases:

The DPC entered into an operating lease for office equipment in May 2011. Total lease payments were \$5,648 for 2012 and \$941 for 2011.

Note 13 – Self – Insurance Plan

The DPC is partially self insured for benefits provided under an employee health insurance plan. The Plan provides for DPC self-insurance up to an annual liability of \$120,000 per individual and \$1.20 million in the aggregate. As of June 30, 2012, the Company had exceeded its stop loss coverage and therefore no contingent liability has been provided. As of June 30, 2012 the fund has accumulated \$425,178 in net assets.

The DPC is partially self insured for coverage of property damage and workers' compensation. The Plan provides for DPC self-insurance up to an annual liability of \$50,000 per event or \$500,000 in the aggregate. The SMP Insurance fund will grow to \$1 million in reserve. As of June 30, 2012, the fund has accumulated \$394,025 in net assets.

Note 14 – Priests' pension plan:

The DPC has a noncontributory defined benefit pension plan covering all diocesan priests and contributions are provided to orders of religious personnel. The following is information from the most recent actuarial valuation on July 1, 2011. The plan will be valued on an annual basis that coincides with the fiscal year of the DPC.

Actuarial Valuation Information

Actuarial Valuation Date	<u>7/1/2009</u>	<u>7/1/2010</u>	<u>7/1/2011</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*	4.00%	4.00%	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			

	Pension Plan as of 07/01/09	Pension Plan as of 07/01/10	Pension Plan as of 07/01/11
Projected Benefit Obligation	\$ 3,829,224	\$ 3,666,147	\$ 3,818,496
Plan Assets at Fair Value	2,624,779	2,747,290	3,025,832
Excess of Benefit Obligation over Assets	1,204,445	918,857	792,664
Net Periodic Pension Costs	133,544	110,896	108,397
Contributions	(661,372)	(416,735)	(516,910)
Benefits Paid	294,434	338,088	261,038

The Unfunded Net Obligation for the Priests' Pension Benefit Plan is an actuarial estimate that will be funded over the next 10 to 30 years. Recommended funding for 2011 was \$262,512 and for 2010 was \$294,875 per year from contributions. The DPC contributed \$520,180 and \$516,910 during the years ended June 30, 2012 and 2011 respectively.

All assets were held in the form of stocks and bonds on June 30, 2012 and 2011. Investment risk is mitigated by using only FDIC insured investments and not exceeding the insured limit of \$250,000. No assets are expected to be returned to the DPC during 2012.

The DPC has made significant contributions to the plan in each of the last five fiscal years. A portion of the contributions was from distributions made by the Capital Campaign. Plan assets have also been re-invested at substantially higher earnings.

Please refer to the actuarial report for more information.

Note 15 – 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 DPC's account balances are as follows:

	<u>2012</u>	<u>2011</u>
Funds on Deposit		
Building Fund	\$ 100,033	\$ -
Diocese Savings	653,912	635,322
Grand St. Property	28,551	-
Diocese Bus Fund	12,120	7,865
Catholic School System	5,690	5,517
	<u>\$ 800,306</u>	<u>\$ 648,704</u>

Note 16 – Note Receivable

During the current year, the DPC accepted the donation of a plot of land that was subsequently sold for \$100,000. The DPC accepted a note receivable for \$72,500 payable over 10 years earning interest at 6.5%. Maturities are as follows:

2013	\$5,439
2014	5,804
2015	5,661
2016	7,138
2017	7,049
2018-2022	39,673

Note 17 – Prior Period Adjustment

During the current year, it was discovered that revenue from the 2011-2012 United Catholic Appeal campaign was inadvertently included in the prior year. Therefore, a correction has been made to decrease prior year income and increase current year revenue.

Note 18 – Subsequent Event

Date of Management Evaluation

Management has evaluated subsequent events through November 28, 2012, the date on which the financial statements were available to be issued.

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
ADMINISTRATIVE AND GENERAL EXPENSES
YEAR ENDED JUNE 30, 2012 AND 2011**

	2012	2011
General Administrative	\$ 356,078	\$ 335,293
Business Office	213,320	206,894
Plant and Maintenance	187,096	228,557
Development Office	142,506	112,073
Human Resources	120,065	75,741
Central Accounting	104,069	59,435
IT Department	78,150	54,872
Charter Costs	66,920	45,872
Building & Equipment Depreciation	25,530	23,090
Interest	20,795	20,083
Priests' Pension Plan	10,000	5,000
Activity Center	7,381	-
Discernment House	254	240
Cathedral Moving Expenses	-	80,297
	<u>\$ 1,332,164</u>	<u>\$ 1,247,447</u>

See Independent Auditors' report and notes to financial statements.