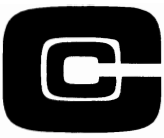


**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED JUNE 30, 2008 and 2007



CORNELL & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Patricia D. Buzzell
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W.E. Swenson, Sr., C.P.A.
Founder
1926-1976

**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, 2008 and 2007, 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 No. 136 and 158 (SFAS 136 and 158). In our opinion the adoption of SFAS No. 136 and 158 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 Statement of Financial Accounting Standard No. 136 and 158 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, 2008 and 2007, 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.
Cornell & Company, P.C.
December 4, 2008

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 562,088	\$ 598,253
Accounts receivable:		
Parishes and other entities	351,032	281,995
Grants	-	125,000
Prepaid Expenses	<u>2,175</u>	<u>2,175</u>
Total current assets	915,295	1,007,423
Investments (Note 11)	65,114	65,114
Land, buildings and equipment, net of accumulated depreciation (Note 3)	<u>1,314,793</u>	<u>1,278,545</u>
Total assets	<u>\$ 2,295,202</u>	<u>\$ 2,351,082</u>
<u>Liabilities</u>		
Accounts payable	\$ 263,027	\$ 199,520
Payroll payable	1,779	689
Grants payable	137,200	55,800
Custodial funds	147,314	181,020
Deferred Income	37,250	-
Notes payable-current portion (Note 4)	<u>635,676</u>	<u>395,036</u>
Total current liabilities	1,222,246	832,065
Notes payable - long term portion (Note 4)	<u>16,636</u>	<u>25,438</u>
Total liabilities	1,238,882	857,503
<u>Net assets</u>		
Unrestricted:		
Undesignated	354,209	490,290
Designated (Note 5)	37,219	46,617
Temporarily restricted (Note 6)	<u>664,892</u>	<u>956,672</u>
Total net assets	<u>1,056,320</u>	<u>1,493,579</u>
Total liabilities and net assets	<u>\$ 2,295,202</u>	<u>\$ 2,351,082</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, 2008 AND 2007**

	2008			2007		
	<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	\$ 783,810	\$ 234,579	\$ 1,018,389	\$ 680,541	\$ 174,129	\$ 854,670
Cathedraticum tax	614,832	-	614,832	599,380	-	599,380
Other assessments	325,373	122,361	447,734	291,639	123,892	415,531
Contributions and bequests	49,321	-	49,321	74,055	-	74,055
Capital Campaign Income	-	520,000	520,000	-	762,729	762,729
Net investments income	27,552	-	27,552	33,929	-	33,929
Rent income	18,788	-	18,788	7,831	-	7,831
Miscellaneous income	134,636	130,497	265,133	62,682	89,853	152,535
Grant income (Note 10)	-	1,037,932	1,037,932	-	1,074,565	1,074,565
Fund raising income	-	77,039	77,039	-	87,026	87,026
Total revenue and other support	1,954,312	2,122,408	4,076,720	1,750,057	2,312,194	4,062,251
Net assets released from restrictions (Note 6)	2,414,188	(2,414,188)	-	2,113,361	(2,113,361)	-
Total increases (decreases) in net assets before expenses	4,368,500	(291,780)	4,076,720	3,863,418	198,833	4,062,251
Expenses:						
Program services:						
Amarillo Catholic School System	140,022	-	140,022	135,986	-	135,986
Tuition assistance	167,623	-	167,623	38,431	-	38,431
Tribunal	76,725	-	76,725	64,062	-	64,062
Education	37,246	-	37,246	60,525	-	60,525
City ministries	110,014	-	110,014	102,437	-	102,437
Hispanic ministries	11,138	-	11,138	7,532	-	7,532
Christian formation	59,451	-	59,451	47,402	-	47,402
Seminary education	597,070	-	597,070	355,764	-	355,764
Diaconate office	198,031	-	198,031	124,107	-	124,107
West Texas Catholic Newspaper	224,433	-	224,433	163,304	-	163,304
Youth ministries	230,880	-	230,880	149,263	-	149,263
Priest service	209,739	-	209,739	157,565	-	157,565
Miscellaneous program services	223,232	-	223,232	201,193	-	201,193
Planned annual subsidies	114,304	-	114,304	144,095	-	144,095
Grant distributions	114,708	-	114,708	117,208	-	117,208
Supporting services:						
Administrative and general	1,931,364	-	1,931,364	1,527,691	-	1,527,691
Fund-raising	96,000	-	96,000	96,000	-	96,000
Total expenses	4,541,980	-	4,541,980	3,492,565	-	3,492,565
Change in net assets	(173,480)	(291,780)	(465,260)	370,853	198,833	569,686
Prior Period Adjustment (Note 18)	28,001	-	28,001	-	-	-
Net assets (deficit) at beginning of year	536,907	956,672	1,493,579	166,054	757,839	923,893
Net assets (deficit) at end of year	\$ 391,428	\$ 664,892	\$ 1,056,320	\$ 536,907	\$ 956,672	\$ 1,493,579

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, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (465,260)	\$ 569,686
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	74,297	57,766
(Increase) decrease in:		
Accounts receivable	55,963	86,057
Prepaid expenses	-	8,729
Increase (decrease) in:		
Accounts payable	63,507	126,386
Payroll payable	(3,219)	(59,133)
Custodial funds	(29,397)	7,808
Deferred Income	37,250	-
Grants Payable	81,400	55,800
	<u>(185,459)</u>	<u>853,099</u>
Cash flows from investing activities:		
Purchase of equipment	<u>(82,544)</u>	<u>(60,912)</u>
	<u>(82,544)</u>	<u>(60,912)</u>
Cash flows from financing activities:		
Payment on debt	(135,774)	(1,067,610)
Proceeds from issuance of debt	<u>367,612</u>	<u>553,388</u>
	<u>231,838</u>	<u>(514,222)</u>
Net increase in cash and equivalents	(36,165)	277,965
Cash and equivalents, beginning of year	<u>598,253</u>	<u>320,288</u>
Cash and equivalents, end of year	<u><u>\$ 562,088</u></u>	<u><u>\$ 598,253</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest on loans	<u><u>\$ 39,860</u></u>	<u><u>\$ 40,646</u></u>

See Independent Auditors' Report and notes to financial statements.

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
STATEMENT OF CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2008 AND 2007**

	2008	2007
Changes in net assets		
Operating Revenue	\$ 1,115,022	\$ 1,082,418
Total increase in net assets before expenses	1,115,022	1,082,418
 Expenses		
Administrative Fees & Claims Paid	1,096,535	939,349
Total Expenses	1,096,535	939,349
Changes in Net Assets	18,487	143,069
Net Assets at beginning of year	233,054	89,985
Net Assets at end of year	\$ 251,541	\$ 233,054

See Independent Auditors' Report and notes to financial statements.

ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008 AND 2007

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.

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. Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating. 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 nonoperating.

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:

In June 1999, the Financial Accounting Standards Board (FASB) implemented Statement of Financial Accounting Standard No. 136 – *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others* (SFAS No. 136). SFAS No. 136 is effective for financial statements issued for fiscal periods beginning after December 15, 1999. SFAS No. 136 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 SFAS No. 136 even though the DPC has assets as a beneficiary as described above at June 30, 2008 and 2007. The results of this departure from accounting principles generally accepted in the United States of America (GAAP) is summarized as follows:

	<u>2008</u>	<u>2007</u>
Assets Understated	\$ 2,111,684	\$ 2,157,100
Temporarily Restricted Net Assets Understated	46,983	90,100
Permanently Restricted Net Assets Understated	2,064,701	2,067,000
Change in Net Assets Understated (Overstated)	(45,415)	90,280

In September 2006, the Financial Accounting Standards Board (FASB) implemented Statement of Financial Accounting Standard No. 158 – *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (SFAS No. 158). SFAS No. 158 is effective for fiscal years ending after June 15, 2007. The purpose of SFAS No. 158 is 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

Note 2 – Departures from GAAP (Continued):

status of the plan through changes in unrestricted net assets. (See Note 15.)

The DPC chose not to implement SFAS No. 158 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>2008</u>	<u>2007</u>
Liabilities Understated	\$ 2,146,656	\$ 2,752,679
Unrestricted Net Assets Overstated	2,146,656	2,752,679

Note 3 – Land, buildings and equipment:

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

	<u>2008</u>	<u>2007</u>
Land	\$ 22,605	\$ 22,605
Buildings and Improvements	2,679,809	2,622,658
Holy Cross Academy Building	1,122,711	1,122,711
Vehicles	56,118	38,593
Furniture and Equipment	361,302	321,653
	<hr/>	<hr/>
Total, at cost	4,242,545	4,128,220
Less: accumulated depreciation	2,927,752	2,849,676
	<hr/>	<hr/>
Net Land, Buildings and Equipment	<u>\$ 1,314,793</u>	<u>\$ 1,278,544</u>

Note 4 – Notes payable:

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

	<u>2008</u>	<u>2007</u>
Operating line of credit from Amarillo National Bank due on September 30, 2008. Principal and interest are payable monthly. Secured by real property.	\$ 362,470	\$ 380,181
Note payable to Ford Credit for vehicle. Due in monthly installments of \$372, including interest at 13%. Secured by vehicle.	10,049	-
Note payable to CitiCapital for software. Due in monthly installments of \$1,406, including interest at 6%.	25,438	40,293
Note payable to the Diocese of Amarillo Deposit and Loan Fund for building renovations. Interest is payable monthly at 5.5%.	254,355	-
	<hr/>	<hr/>
Total Notes Payable	652,312	420,474
Less: Current Portion	635,676	395,037
Long Term Portion	<u>\$ 16,636</u>	<u>\$ 25,437</u>

Long term debt matures as follows:

2010	\$ 13,460
2011	3,176
	<hr/>
	<u>\$ 16,636</u>

Note 5 – Designated net assets:

The Bishop and Finance Council have designated a fund to accumulate a reserve to repay loans of seminary students at graduation. Seminary students are granted loans by the Deposit and Loan Fund to pay for education expenses. Upon graduation, the DPC will repay the loan. However, if the seminarian terminates his education, he is personally responsible for repayment. At June 30, 2008 and 2007, this fund had a balance of \$36,350 and \$41,689 respectively.

The Bishop and Finance Council have designated a fund to accumulate donations made to the Bishop for distribution to charities at the discretion of the Bishop. The funds are held in a separate Deposit and Loan account. At June 30, 2008 and 2007 and this fund had a balance of \$869 and \$4,928, respectively.

Note 6 - Temporarily restricted net assets:

Temporarily restricted assets at June 30, 2008 are available for the following purposes:

	Balance 6/30/07	Additions	Releases	Balance 6/30/08
Revenue restricted for:				
United Catholic Appeal restricted for future periods	\$ 174,129	\$ 234,579	\$ (174,129)	\$ 234,579
Sabbaticals and continuing education	68,843	17,283	-	86,126
Priests' Study Week	13,135	5,974	-	19,109
Capital Campaign Income	-	520,000	(520,000)	-
Seminary Burse Endowment	-	40,435	(40,435)	-
Catholic Schools Tuition Assistance	55,954	130,186	(99,170)	86,970
Bichsel Estate	-	25,975	(25,975)	-
Bishop's Charities	4,928	9,765	(13,824)	869
Respect Life	-	67,274	(66,558)	716
Priests for Life	13	-	(13)	-
Youth Rally	-	30,612	(30,612)	-
Youth Summer Camp	-	41,176	(41,176)	-
World Youth Day	-	58,709	(58,709)	-
Grant revenue restricted for:				
Home mission	100,972	110,000	(79,708)	131,264
Christian formation	32,000	67,000	(73,331)	25,669
Seminary education	150,000	255,000	(405,000)	-
Tuition assistance	142,031	85,000	(227,031)	-
Communications	10,000	30,000	(40,000)	-
Priest Services	-	70,000	(70,000)	-
Campus ministry	42,483	25,000	(35,000)	32,483
Office of diaconate	40,000	115,000	(155,000)	-
Youth ministry	47,930	45,000	(92,930)	-
Spirituality & Evangelical	5,500	-	(5,500)	-
Preservation of photographic records	1,250	-	-	1,250
City Ministries	23,000	68,000	(91,000)	-
Discernment House	-	5,000	(5,000)	-
Hispanic Ministry	-	5,000	(5,000)	-
Bishop's Installation	-	25,000	(25,000)	-
Stewardship	10,000	10,000	(20,000)	-
Catholic Mutual - Risk Management	3,000	1,000	-	4,000
Mass stipends	31,504	24,440	(14,087)	41,857
Totals	<u>\$ 956,672</u>	<u>\$ 2,122,408</u>	<u>\$(2,414,188)</u>	<u>\$ 664,892</u>

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 \$26,298 and \$25,204, during the years ended June 30, 2008 and 2007 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.

Guarantees

The DPC from time to time acts as guarantor on various loans obtained by other entities included in the Diocese (i.e. parishes, schools, etc.). The books and records of these entities are not included in the accompanying financial statements. However, the DPC is responsible for repayment for the related indebtedness should the debtor entity not repay the obligation. During the year ended June 30, 2008, the DPC guaranteed outstanding loans for parishes totaling approximately \$1.5 million. The loans relate to repairs and construction. In the case of default, the DPC would be responsible for any remaining balance. At year-end, the parishes were performing under the obligations.

Note 9 – Concentration of credit risk:

The DPC maintains various bank accounts at institutions insured by the Federal Deposit Insurance Corporation (FDIC). Cash at these institutions exceeded federally insured limits. The amounts in excess of FDIC insurance totaled \$593,000 as of June 30, 2008 and \$604,000 as of June 30, 2007.

Note 10 – Grant income:

Grant income received includes grants from the following sources:

	<u>2008</u>	<u>2007</u>
Catholic Church Extension Society	\$ 339,440	\$ 319,440
Kennedy Memorial Foundation	290,000	270,000
Committee on the Home Missions	-	125,000
Scanlan Foundation	300,000	280,000
Catholic Foundation of the Texas Panhandle	71,517	43,756
Black and Indian Mission Office	-	8,000
Others	36,975	28,369
	<u>\$ 1,037,932</u>	<u>\$ 1,074,565</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, 2008 and 2007 is \$65,114 and \$65,114.

Note 12 – Leases:

The DPC entered into an operating lease for office equipment in August 2004. Total lease payments were \$3,600 for 2008 and \$3,600 for 2007. Future obligations for the lease are as follows:

2009	\$ 3,600
2010	300

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, 2008, the Company had exceeded its stop loss coverage and therefore no contingent liability has been provided.

Note 14 – Priests’ pension plan:

The DPC established a priests’ excess benefit plan in order to comply with certain Internal Revenue Code rules. Contributions to the plan were \$38,049 during the year ended June 30, 2007. This plan was merged with the existing pension plan on July 1, 2007.

The DPC also has a noncontributory 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, 2007. The plan will be valued on an annual basis that coincides with the fiscal year of the DPC.

Actuarial Valuation Information

Actuarial Valuation Date	12/31/2005	7/1/2006	7/1/2007
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	16.8	16.8	16.8
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*	4.00%	4.75%	4.75%
Projected salary increases*	4.00%	4.00%	4.00%
Inflation	3.50%	3.50%	3.50%
Cost-of-living adjustments	0.00%	0.00%	0.00%
* Includes inflation at the stated rate			

Pension and Excess

	Plans as of 7/1/2007	Pension Plan as of 07/01/06
Projected Benefit Obligation	\$ 4,121,842	\$ 4,221,716
Plan Assets at Fair Value	1,535,938	1,263,707
Excess of Benefit Obligation over Assets	<u>2,585,904</u>	<u>2,958,009</u>
Net Periodic Pension Costs	394,712	435,295
Contributions	<u>(833,960)</u>	<u>(640,625)</u>
Unfunded Net Obligation	<u>\$ 2,146,656</u>	<u>\$ 2,752,679</u>

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 2008 was \$361,500 per year from contributions. The DPC contributed \$833,960 and \$602,576 during the years ended June 30, 2008 and 2007 respectively.

The DPC has made significant contributions to the plan in each of the last two fiscal years. A portion of the contributions was from distributions made by the Capital Campaign (See Note 15). Plan assets have also been re-invested at substantially higher earnings.

Note 15 – Going Concern

Current liabilities exceed current assets and management has chosen not to implement SFAS 158 (See Note 2). If the statement had been adopted, current liabilities would significantly exceed current assets and the unrestricted fund balance would be significantly negative. Therefore, uncertainty about the Diocese's ability to continue as a going concern exists.

The Bishop and his advisors have implemented a long-term plan to reduce liabilities and increase funding sources. The plans included a Capital Campaign that targeted debt repayment, the priests' pension fund and certain program services. As of the report date, the Campaign had contributed \$2.8 million for targeted areas.

The financial statements do not include any adjustments that might be necessary if the DPC is unable to continue as a going concern.

Note 16 – Related Party Transactions

The DPC has significant transactions with the Roman Catholic Diocese of Amarillo Deposit and Loan (the D&L). The D&L is a cooperative investment and lending program for the mutual benefit of diocesan organizations. The DPC's account balances are as follows:

	<u>2008</u>	<u>2007</u>
Funds on Deposit		
Seminarian Loan Fund	\$ 36,350	\$ 41,689
Diocese Savings	4,883	30,218
Bishop's Charity	869	4,928
Catholic School System	9,403	9,080
	<u>\$ 51,505</u>	<u>\$ 85,915</u>
Loans Outstanding		
Operating Loan	<u>\$ 254,355</u>	<u>\$ -</u>

Note 17 – Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Note 18 – Prior Period Adjustment

Certain errors resulting in an understatement of previously reported fixed assets were discovered during the current year. Accordingly, an adjustment of \$28,001 was made during 2008 to increase fixed assets as of the beginning of the year. A corresponding entry was made to increase previously reported unrestricted fund balance.

ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
ADMINISTRATIVE AND GENERAL EXPENSES
YEAR ENDED JUNE 30, 2008 AND 2007

	2008	2007
Charter Costs	\$ 274,002	\$ 226,828
General Administrative	437,587	333,625
Eucharistic Congress	-	105,157
Priests' Pension Plan	520,000	250,000
Development Office	114,842	140,340
Business Office	197,430	172,923
Interest	39,860	40,646
Plant and Maintenance	159,889	111,234
Central Accounting	59,799	52,438
Human Resources	64,965	58,798
Discernment House	45,879	19,970
Building & Equipment Depreciation	17,111	15,732
	<u>\$ 1,931,364</u>	<u>\$ 1,527,691</u>

See Independent Auditors' report and notes to financial statements.