

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED JUNE 30, 2010 and 2009



CORNELL & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

902 SOUTH MONROE • AMARILLO, TEXAS 79101 • PHONE (806) 372-4331 • FAX (806) 372-3963

Patricia D. Buzzell
Kelly W. Hill
Albert W. Cupell
Laurie D. Shepard

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, 2010 and 2009, 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, 2010 and 2009, 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 14, 2010

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009**

	2010	2009
<u>Assets</u>		
Cash and cash equivalents	\$ 358,216	\$ 266,717
Accounts receivable:		
Parishes and other entities	225,686	320,600
Prepaid Expenses	29,885	2,175
Total current assets	613,787	589,492
Investments (Note 11)	51,452	65,114
Long term accounts receivable - parishes and other entities	106,279	-
Land, buildings and equipment, net of accumulated depreciation (Note 3)	1,205,399	1,275,484
Total assets	\$ 1,976,917	\$ 1,930,090
<u>Liabilities</u>		
Accounts payable	\$ 96,682	\$ 72,760
Payroll payable	98,100	6,959
Grants payable	55,600	25,000
Custodial funds	160,690	177,616
Deferred Income	150,000	56,000
Notes payable-current portion (Note 4)	320,906	491,622
Total current liabilities	881,978	829,957
Notes payable - long term portion (Note 4)	4,793	12,261
Total liabilities	886,771	842,218
<u>Net assets</u>		
Unrestricted:		
Undesignated	554,957	693,232
Designated (Note 5)	14	917
Temporarily restricted (Note 6)	535,175	393,723
Total net assets	1,090,146	1,087,872
Total liabilities and net assets	\$ 1,976,917	\$ 1,930,090

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, 2010 AND 2009

	2010			2009		
	<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	\$ 837,507	\$ 230,629	\$ 1,068,136	\$ 743,069	\$ 157,912	\$ 900,981
Cathedraticum tax	762,936	-	762,936	657,972	-	657,972
Other assessments	272,136	121,139	393,275	297,887	124,427	422,314
Contributions and bequests	65,560	-	65,560	151,481	-	151,481
Capital Campaign Income		110,941	110,941	-	230,000	230,000
Net investments income	13,549	-	13,549	22,900	-	22,900
Deposit & Loan Distribution	-	-	-	157,837	-	157,837
Rent income	62,188	-	62,188	23,249	-	23,249
Miscellaneous income	58,780	100,390	159,170	132,483	104,246	236,729
Grant income (Note 10)	-	806,275	806,275	-	1,078,602	1,078,602
Fund raising income	-	71,962	71,962	-	83,936	83,936
Total revenue and other support	2,072,656	1,441,336	3,513,992	2,186,878	1,779,123	3,966,001
Net assets released from restrictions (Note 6)	1,299,870	(1,299,870)	-	2,050,292	(2,050,292)	-
Total increases (decreases) in net assets before expenses	3,372,526	141,466	3,513,992	4,237,170	(271,169)	3,966,001
Expenses:						
Program services:						
Amarillo Catholic School System	128,055	-	128,055	128,055	-	128,055
Tuition assistance	90,146	-	90,146	149,708	-	149,708
Tribunal	66,493	-	66,493	71,203	-	71,203
Education	86,200	-	86,200	80,738	-	80,738
City ministries	142,036	-	142,036	147,061	-	147,061
Hispanic ministries	5,388	-	5,388	4,492	-	4,492
Christian formation	60,000	-	60,000	52,475	-	52,475
Seminary education	369,926	-	369,926	426,569	-	426,569
Diaconate office	124,782	-	124,782	126,976	-	126,976
West Texas Catholic Newspaper	124,256	-	124,256	188,578	-	188,578
Youth ministries	171,149	-	171,149	188,270	-	188,270
Priest service	285,027	-	285,027	277,989	-	277,989
Miscellaneous program services	219,611	-	219,611	225,683	-	225,683
Planned annual subsidies	106,013	-	106,013	120,572	-	120,572
Grant distributions	84,305	-	84,305	79,305	-	79,305
Supporting services:						
Administrative and general	1,352,331	-	1,352,331	1,570,775	-	1,570,775
Fund-raising	96,000	-	96,000	96,000	-	96,000
Total expenses	3,511,718	-	3,511,718	3,934,449	-	3,934,449
Change in net assets	(139,192)	141,466	2,274	302,721	(271,169)	31,552
Net assets (deficit) at beginning of year	694,149	393,723	1,087,872	391,428	664,892	1,056,320
Net assets (deficit) at end of year	\$ 554,957	\$ 535,189	\$ 1,090,146	\$ 694,149	\$ 393,723	\$ 1,087,872

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, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,274	\$ 31,552
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	85,835	82,031
(Increase) decrease in:		
Accounts receivable	67,204	30,432
Increase (decrease) in:		
Accounts payable	23,926	(190,267)
Payroll payable	91,141	5,180
Custodial funds	(16,926)	30,302
Deferred Income	94,000	18,750
Grants Payable	30,600	(112,200)
	<u>378,054</u>	<u>(104,220)</u>
Net cash flows from operating activities		
Cash flows from investing activities:		
Long Term Accounts Receivable	(106,279)	-
Catholic Umbrella Pool	13,661	
Purchase of equipment	(15,750)	(42,722)
	<u>(108,368)</u>	<u>(42,722)</u>
Net cash flows from investing activities		
Cash flows from financing activities:		
Payment on debt	(360,465)	(580,545)
Proceeds from issuance of debt	182,278	432,116
	<u>(178,187)</u>	<u>(148,429)</u>
Net cash flow from financing activities		
Net increase in cash and equivalents	91,499	(295,371)
Cash and equivalents, beginning of year	<u>266,717</u>	<u>562,088</u>
Cash and equivalents, end of year	<u>\$ 358,216</u>	<u>\$ 266,717</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest on loans	<u>\$ 44,885</u>	<u>\$ 44,885</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, 2010 AND 2009

	2010	2009
Changes in net assets		
Operating Revenue	\$ 1,141,400	\$ 1,593,884
Total increase in net assets before expenses	1,141,400	1,593,884
 Expenses		
Administrative Fees & Claims Paid	1,075,381	1,659,771
Total Expenses	1,075,381	1,659,771
Changes in Net Assets	66,019	(65,887)
Net Assets at beginning of year	185,654	251,541
Net Assets at end of year	\$ 251,673	\$ 185,654

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, 2010 AND 2009

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 \$106,279 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. 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:

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, 2010 and 2009. The results of this departure from accounting principles generally accepted in the United States of America (GAAP) is summarized as follows:

	<u>2010</u>	<u>2009</u>
Assets Understated	\$ 2,065,913	\$ 2,029,111
Temporarily Restricted Net Assets Understated	63,841	36,391
Permanently Restricted Net Assets Understated	2,002,072	1,992,720
Change in Net Assets Understated (Overstated)	9,804	(77,516)

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 15.)

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>2010</u>	<u>2009</u>
Liabilities Understated	\$ 1,204,445	\$ 1,832,706
Unrestricted Net Assets Overstated	1,204,445	1,832,706

Note 3 – Land, buildings and equipment:

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

	<u>2010</u>	<u>2009</u>
Land	\$ 22,605	\$ 22,605
Buildings and Improvements	2,696,878	2,687,459
Holy Cross Academy Building	1,122,711	1,122,711
Vehicles	56,118	56,118
Furniture and Equipment	402,705	396,374
	<hr/>	<hr/>
Total, at cost	4,301,017	4,285,267
	<hr/>	<hr/>
Less: accumulated depreciation	3,095,618	3,009,783
	<hr/>	<hr/>
Net Land, Buildings and Equipment	<u>\$ 1,205,399</u>	<u>\$ 1,275,484</u>

Note 4 – Notes payable:

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

	<u>2010</u>	<u>2009</u>
Operating line of credit from Amarillo National Bank due on September 30, 2010. Principal and interest are payable monthly. Secured by real property.	\$ 316,614	\$ 337,720
Note payable to Ford Credit for vehicle. Due in monthly installments of \$372, including interest at 13%. Secured by vehicle.	-	6,969
Note payable to CitiCapital for software. Due in monthly installments of \$1,406, including interest at 6%.	-	9,667
Note payable to Great American Phone. Due in monthly installments of \$424, including interest at 11%.	9,085	12,929
Note payable to the Diocese of Amarillo Deposit and Loan Fund for building renovations. Interest is payable monthly at 5.5%.	-	136,598
	<hr/>	<hr/>
Total Notes Payable	325,699	503,883
Less: Current Portion	320,906	491,622
Long Term Portion	<u>\$ 4,793</u>	<u>\$ 12,261</u>

Long term debt matures in 2012.

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, 2010 and 2009, this fund had a balance of \$14 and \$14 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, 2010 and 2009 and this fund had a balance of \$0 and \$903, respectively.

Note 6 - Temporarily restricted net assets:

Temporarily restricted assets at June 30, 2010 are available for the following purposes:

	Balance 6/30/09	Additions	Releases	Balance 6/30/10
Revenue restricted for:				
United Catholic Appeal restricted				
for future periods	\$ 157,912	\$ 230,629	\$ (157,912)	\$ 230,629
Sabbaticals and continuing education	103,325	17,199	-	120,524
Priests' Study Week	13,100	4,835	-	17,935
Capital Campaign Income	-	110,941	(110,941)	-
Seminary Burse Endowment	-	41,542	(41,542)	-
Catholic Schools Tuition Assistance	23,074	123,844	(108,510)	38,408
Bichsel Estate	-	-	-	-
Bishop's Charities	903	5,000	-	5,903
Respect Life	-	66,962	-	66,962
Youth Rally	-	28,718	(28,718)	-
Youth Summer Camp	-	31,146	(31,146)	-
World Youth Day	-	40,526	(40,526)	-
Grant revenue restricted for:				
Home mission	33,805	20,000	(53,805)	-
Christian formation	14,437	66,500	(69,577)	11,360
Seminary education	-	209,993	(209,993)	-
Tuition assistance	-	56,000	(56,000)	-
Communications	-	5,000	(5,000)	-
Priest Services	-	50,000	(50,000)	-
Campus ministry	-	5,000	(5,000)	-
Office of diaconate	-	93,000	(93,000)	-
Youth ministry	-	55,000	(55,000)	-
Spirituality & Evangelical	-	21,000	(20,213)	787
Preservation of photographic records	-	-	-	-
City Ministries	-	95,500	(95,500)	-
DPC Roof Repairs	-	23,000	(23,000)	-
"Why Catholic" Program	-	30,000	-	30,000
Diocesan Assembly	14,330	10,000	(24,330)	-
Stewardship	-	-	-	-
Catholic Mutual - Risk Management	4,000	-	-	4,000
Mass stipends	28,837	-	(20,170)	8,667
Totals	<u>\$ 393,723</u>	<u>\$ 1,441,335</u>	<u>\$ (1,299,883)</u>	<u>\$ 535,175</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 \$32,340 and \$33,554, during the years ended June 30, 2010 and 2009 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, 2010, 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 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 \$211,825 as of June 30, 2010 and \$285,419 as of June 30, 2009.

Note 10 – Grant income:

Grant income received includes grants from the following sources:

	<u>2010</u>	<u>2009</u>
Catholic Church Extension Society	\$ 353,000	\$ 306,480
Kennedy Memorial Foundation	131,000	181,000
Committee on the Home Missions	93,750	156,250
Scanlan Foundation	150,000	325,000
Catholic Foundation of the Texas Panhandle	66,282	66,273
Black and Indian Mission Office	6,000	6,000
Others	6,243	37,599
	<u>\$ 806,275</u>	<u>\$ 1,078,602</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, 2010 and 2009 is \$51,452 and \$65,114.

Note 12 – Leases:

The DPC entered into an operating lease for office equipment in August 2004. Total lease payments were \$300 for 2010 and \$3,600 for 2009.

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, 2010, the Company had exceeded its stop loss coverage and therefore no contingent liability has been provided.

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, 2009. 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>7/1/2007</u>	<u>7/1/2008</u>	<u>7/1/2009</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	16.8	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%	4.00%
Inflation	3.50%	3.50%	3.00%
Cost-of-living adjustments	0.00%	0.00%	0.00%
* Includes inflation at the stated rate			

	<u>Pension Plan as of 07/01/07</u>	<u>Pension Plan as of 07/01/08</u>	<u>Pension Plan as of 07/01/09</u>
Projected Benefit Obligation	\$ 4,045,012	\$ 4,007,219	\$ 3,829,224
Plan Assets at Fair Value	1,535,938	2,174,513	2,624,779
Excess of Benefit Obligation over Assets	2,509,074	1,832,706	1,204,445
Net Periodic Pension Costs	348,902	180,444	133,544
Contributions	(640,625)	(833,960)	(661,372)
Benefits Paid	320,554	292,269	294,434

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 2010 was \$319,454 and for 2009 was \$337,418 per year from contributions. The DPC contributed \$416,735 and \$661,372 during the years ended June 30, 2010 and 2009 respectively.

All assets were held in the form of certificates of deposit on June 30, 2010 and 2009. 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 2010.

The DPC has made significant contributions to the plan in each of the last three 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.

Please refer to the actuarial report for more information.

Note 15 – Going Concern

Current liabilities exceed current assets and management has chosen not to implement ASC 715-20-65-1 (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 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>2010</u>	<u>2009</u>
Funds on Deposit		
Seminarian Loan Fund	\$ 14	\$ 14
Diocese Savings	5,313	5,129
Diocese Bus Fund	3,773	-
Bishop's Charity	-	903
Catholic School System	10,080	9,899
	<u>\$ 19,180</u>	<u>\$ 15,945</u>
Loans Outstanding		
Operating Loan	<u>\$ -</u>	<u>\$ 136,598</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.

ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
ADMINISTRATIVE AND GENERAL EXPENSES
YEAR ENDED JUNE 30, 2010 AND 2009

	2010	2009
Charter Costs	\$ 112,357	\$ 306,376
General Administrative	378,791	279,638
Priests' Pension Plan	110,941	230,000
Business Office	217,413	223,795
Plant and Maintenance	168,466	165,504
Development Office	111,376	119,695
Human Resources	63,075	63,135
Central Accounting	62,158	59,937
Interest	34,643	44,885
IT Department	52,520	28,967
Building & Equipment Depreciation	21,160	21,131
Discernment House	220	17,042
Diocesan Assembly	19,211	10,670
	<u>\$ 1,352,331</u>	<u>\$ 1,570,775</u>

See Independent Auditors' report and notes to financial statements.