

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED JUNE 30, 2013 and 2012

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

Independent Auditor's Report

We have audited the accompanying financial statements of the Roman Catholic Diocese of Amarillo Diocesan Pastoral Center (the "DPC", a nonprofit organization), which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 or recorded liabilities related to its defined benefit pension plan. In our opinion, accounting principles generally accepted in the United States of Americas require that these transactions be included in these financial statements

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph and in Note 2, 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, 2013 and 2012, 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 Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of administrative and general expenses on page 13 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.

Cornell & Company, P.C.
December 5, 2013

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 1,430,496	\$ 1,133,400
Accounts receivable parishes & other entities	252,744	217,303
Prepaid Expenses	2,175	2,175
Short term note receivable	5,804	5,440
Total current assets	<u>1,691,219</u>	<u>1,358,318</u>
Investments	51,452	51,452
Long term note receivable	59,462	65,324
Long term accounts receivable - parishes and other entities	99,585	77,310
Land, buildings and equipment, net of accumulated depreciation	<u>1,382,100</u>	<u>1,392,603</u>
Total assets	<u>\$ 3,283,818</u>	<u>\$ 2,945,007</u>
<u>Liabilities</u>		
Accounts payable	\$ 177,115	\$ 130,298
Payroll liabilities	113,635	42,063
Grants payable	9,600	9,600
Custodial funds	122,464	117,980
Deferred Income	548,898	689,812
Notes payable-current portion	<u>35,272</u>	<u>33,195</u>
Total current liabilities	1,006,984	1,022,948
Notes payable - long term portion	<u>189,903</u>	<u>225,175</u>
Total liabilities	1,196,887	1,248,123
<u>Net assets</u>		
Unrestricted:		
Undesignated	1,562,904	1,299,087
Designated	167,746	100,033
Temporarily restricted	<u>356,281</u>	<u>297,764</u>
Total net assets	<u>2,086,931</u>	<u>1,696,884</u>
Total liabilities and net assets	<u>\$ 3,283,818</u>	<u>\$ 2,945,007</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, 2013 AND 2012**

	2013			2012		
	<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	\$ 1,099,043	\$ -	\$ 1,099,043	\$ 1,100,696	\$ -	\$ 1,100,696
Cathedraticum tax	831,888	-	831,888	810,814	-	810,814
Other assessments	333,341	94,435	427,776	296,908	125,736	422,644
Contributions and bequests	48,213	-	48,213	149,345	-	149,345
Building Fund	-	6,598	6,598	-	100,033	100,033
Net investments income	33,303	-	33,303	26,450	-	26,450
Deposit & Loan Distribution	4,455	-	4,455	2,478	-	2,478
Rent income	14,496	-	14,496	7,447	-	7,447
Miscellaneous income	150,786	121,879	272,665	82,898	104,688	187,586
Grant income	-	1,016,610	1,016,610	-	880,500	880,500
Fund raising income	-	176,985	176,985	-	142,782	142,782
Total revenue and other support	2,515,525	1,416,507	3,932,032	2,477,036	1,353,739	3,830,775
Net assets released from restrictions	1,290,277	(1,290,277)	-	1,275,733	(1,275,733)	-
Total increases (decreases) in net assets before expenses	3,805,802	126,230	3,932,032	3,752,769	78,006	3,830,775
Expenses:						
Program services:						
Amarillo Catholic School System	129,045	-	129,045	127,883	-	127,883
Tuition assistance	106,000	-	106,000	106,994	-	106,994
Tribunal	69,350	-	69,350	74,390	-	74,390
Education	59,024	-	59,024	58,875	-	58,875
City ministries	177,573	-	177,573	156,224	-	156,224
Hispanic ministries	16,805	-	16,805	23,389	-	23,389
Christian formation	84,406	-	84,406	75,263	-	75,263
Seminary education	226,160	-	226,160	210,288	-	210,288
Diaconate office	97,270	-	97,270	79,986	-	79,986
West Texas Catholic Newspaper	170,902	-	170,902	157,803	-	157,803
Youth ministries	223,903	-	223,903	212,703	-	212,703
Priest service	177,347	-	177,347	165,149	-	165,149
Miscellaneous program services	149,121	-	149,121	184,654	-	184,654
Planned annual subsidies	216,578	-	216,578	195,063	-	195,063
Grant distributions	129,016	-	129,016	159,000	-	159,000
Supporting services:						
Administrative and general	1,413,485	-	1,413,485	1,332,164	-	1,332,164
Fund-raising	96,000	-	96,000	96,000	-	96,000
Total expenses	3,541,985	-	3,541,985	3,415,828	-	3,415,828
Change in net assets	263,817	126,230	390,047	336,941	78,006	414,947
Net assets (deficit) at beginning of year	1,299,087	397,797	1,696,884	962,146	319,791	1,281,937
Net assets (deficit) at end of year	\$ 1,562,904	\$ 524,027	\$ 2,086,931	\$ 1,299,087	\$ 397,797	\$ 1,696,884

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, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 390,047	\$ 414,947
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	87,846	92,630
(Increase) decrease in:		
Accounts receivable	(35,442)	41,132
Increase (decrease) in:		
Accounts payable	46,817	64,324
Payroll liabilities	71,572	(70,334)
Custodial funds	4,484	(72,721)
Deferred Income	(140,913)	75,517
Grants Payable	-	-
	<u>424,411</u>	<u>545,495</u>
Cash flows from investing activities:		
Long Term Related Party Accounts Receivable	(22,275)	28,078
Purchase of fixed assets	(77,342)	(447,914)
Proceeds from sales	-	100,000
Long Term Note Receivable	-	(72,500)
Collection of Long Term Note Receivable	<u>5,498</u>	<u>1,736</u>
	<u>(94,119)</u>	<u>(390,600)</u>
Cash flows from financing activities:		
Payment on debt	<u>(33,196)</u>	<u>(35,991)</u>
	<u>(33,196)</u>	<u>(35,991)</u>
Net increase in cash and equivalents	297,096	118,904
Cash and equivalents, beginning of year	<u>1,133,400</u>	<u>1,014,496</u>
Cash and equivalents, end of year	<u><u>\$ 1,430,496</u></u>	<u><u>\$ 1,133,400</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest on loans	<u><u>\$ 14,967</u></u>	<u><u>\$ 20,795</u></u>

See Independent Auditors' Report and notes to financial statements.

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2013 and 2012**

	<u>2013</u>			<u>2012</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	\$ 461,036	\$ 707,000	\$ 1,168,036	\$ 425,178	\$ 394,025	\$ 819,203
Total assets	\$ 461,036	\$ 707,000	\$ 1,168,036	\$ 425,178	\$ 394,025	\$ 819,203
<u>Net assets</u>						
Unrestricted Net Assets	\$ 461,036	\$ 707,000	\$ 1,168,036	\$ 425,178	\$ 394,025	\$ 819,203
Total net assets	\$ 461,036	\$ 707,000	\$ 1,168,036	\$ 425,178	\$ 394,025	\$ 819,203

See Independent Auditors' Report and notes to financial statements.

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
STATEMENTS OF CHANGES IN NET ASSETS
PROPRIETARY FUND
JUNE 30, 2013 and 2012**

	2013			2012		
	<u>Health Insurance</u>	<u>SMP Insurance</u>	<u>Total</u>	<u>Health Insurance</u>	<u>SMP Insurance</u>	<u>Total</u>
Changes in net assets						
Operating Revenue	\$ 1,149,514	\$ 500,000	\$ 1,649,514	\$ 1,264,615	\$ 456,000	\$ 1,720,615
Interest Income	-	8,515	8,515		2,206	2,206
Total increase in net assets before expenses	1,149,514	508,515	1,658,029	1,264,615	458,206	1,722,821
Expenses						
Administrative Fees & Claims Paid	1,113,656	195,540	1,309,196	1,184,263	64,181	1,248,444
Total Expenses	1,113,656	195,540	1,309,196	1,184,263	64,181	1,248,444
Changes in Net Assets	35,858	312,975	348,833	80,352	394,025	474,377
Net Assets at beginning of year	425,178	394,025	819,203	344,826	-	344,826
Net Assets at end of year	<u>\$ 461,036</u>	<u>\$ 707,000</u>	<u>\$ 1,168,036</u>	<u>\$ 425,178</u>	<u>\$ 394,025</u>	<u>\$ 819,203</u>

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, 2013 AND 2012

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.

ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013 AND 2012

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 \$99,585 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, 2013 and 2012. The results of this departure from accounting principles generally accepted in the United States of America (GAAP) is summarized as follows:

	<u>2013</u>	<u>2012</u>
Assets Understated	\$ 2,037,106	\$ 2,080,565
Temporarily Restricted Net Assets Understated	60,600	69,833
Permanently Restricted Net Assets Understated	1,976,506	2,010,732
Change in Net Assets Understated	58,589	23,176

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013 AND 2012**

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>2013</u>		<u>2012</u>
Liabilities Understated	\$	341,462	\$	792,664
Unrestricted Net Assets Overstated		341,462		792,664

The actuarial valuation for July 1, 2013 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>2013</u>		<u>2012</u>
Land	\$	22,605	\$	22,605
Buildings and Improvements		1,796,713		1,779,214
Holy Cross Academy Building		1,122,711		1,122,711
Vehicles		53,494		32,391
Furniture and Equipment		327,960		289,220
Total, at cost		3,323,483		3,246,141
Less: accumulated depreciation		1,941,383		1,853,538
Net Land, Buildings and Equipment	\$	1,382,100	\$	1,392,603

Note 4 – Notes payable:

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

		<u>2013</u>		<u>2012</u>
Note payable to Amarillo National Bank. Due in monthly installments of \$4,000, including interest at 6%. Secured by real property.	\$	225,175	\$	258,370
Total Notes Payable		225,175		258,370
Less: Current Portion		35,272		33,195
Long Term Portion		189,903		225,175

Long term debt matures on June 30 as follows:

2015	\$	37,479
2016		39,802
2017		42,314
2018		44,960
2019		25,348
	\$	189,903

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013 AND 2012**

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, 2013 and 2012, this fund had a balance of \$167,746 and \$100,033 respectively.

Note 6 - Temporarily restricted net assets:

Temporarily restricted assets at June 30, 2013 are available for the following purposes:

	Balance 6/30/12	Additions	Releases	Balance 6/30/13
Revenue restricted for:				
Sabbaticals and continuing education	\$ 154,922	\$ 17,199	\$ -	\$ 172,121
Priests' Study Week	2,229	3,845	-	6,074
Bishop's Banquet for Building Fund	-	100,950	(68,336)	32,614
Seminary Burse Endowment	25,354	41,542	(37,416)	29,480
Catholic Schools Tuition Assistance	-	98,131	(98,131)	-
Banquet for Respect Life	-	28,323	(28,323)	-
Bishop's Charities	1,463	-	(1,463)	-
Eucharistic Congress	-	2,110	-	2,110
Respect Life	43,590	45,602	(45,245)	43,947
Youth Rally	-	20,736	(20,736)	-
Youth Summer Camp	-	19,122	(19,122)	-
World Youth Day	-	82,020	(82,020)	-
Grant revenue restricted for:				
Home mission	-	89,085	(89,085)	-
Christian formation	25,305	68,600	(76,265)	17,640
Seminary education	18,900	204,542	(223,442)	-
Tuition assistance	-	106,000	(106,000)	-
Communications	-	21,600	(21,600)	-
Priest Services	20,000	70,000	(90,000)	-
Campus ministry	6,000	15,000	-	21,000
Office of diaconate	-	93,000	(93,000)	-
Youth ministry	-	66,600	(66,600)	-
Spirituality & Evangelical	-	40,000	(16,805)	23,195
City Ministries	-	92,542	(92,542)	-
Black & Indian Ministries	-	10,000	(1,900)	8,100
"Why Catholic" Program	-	30,000	(30,000)	-
Bishop Defalco Retreat Center	-	30,000	(30,000)	-
Stewardship	-	6,859	(6,859)	-
Catholic Mutual - Risk Management	-	-	-	-
Respect Life	-	5,000	(5,000)	-
Mass stipends	-	1,500	(1,500)	-
Totals	<u>\$ 297,763</u>	<u>\$ 1,409,908</u>	<u>\$ (1,351,390)</u>	<u>\$ 356,281</u>

**ROMAN CATHOLIC DIOCESE OF AMARILLO
DIOCESAN PASTORAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013 AND 2012**

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 \$37,536 and \$35,837, during the years ended June 30, 2013 and 2012 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. Cash at these institutions exceeded federally insured limits. The amounts in excess of FDIC insurance totaled approximately \$812,000 as of June 30, 2013 and \$1.28 million as of June 30, 2012.

Note 10 – Grant income:

Grant income received includes grants from the following sources:

	<u>2013</u>	<u>2012</u>
Catholic Church Extension Society	\$ 333,359	\$ 330,000
Kennedy Memorial Foundation	193,485	121,000
Committee on the Home Missions	135,000	135,000
Scanlan Foundation	275,000	175,000
Catholic Foundation of the Texas Panhandle	66,282	66,282
Black and Indian Mission Office	10,000	10,000
Others	3,484	43,218
	<u>\$ 1,016,610</u>	<u>\$ 880,500</u>

Note 11 – Investments:

The DPC is a former 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 equity amount as of June 30, 2013 and 2012 is \$51,452 and \$51,452. The DPC has requested to withdraw its share of the pool.

Note 12 – Leases:

The DPC entered into an operating lease for office equipment in May 2011. Total lease payments were \$5,648 for 2013 and \$5,648 for 2012.

The DPC entered into an operating lease for office equipment in May 2013. It is for a term of 3 years. The lease payments for 2013 were \$4,175.

**ROMAN CATHOLIC DIOCESE OF AMARILLO
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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, 2013, the Company had exceeded its stop loss coverage and therefore no contingent liability has been provided. As of June 30, 2013 the fund has accumulated \$461,036 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, 2013, the fund has accumulated \$707,000 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>7/1/2010</u>	<u>7/1/2011</u>	<u>7/1/2012</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%	0.00%	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 07/01/10	Pension Plan as of 07/01/11	Pension Plan as of 07/01/12
Projected Benefit Obligation	\$ 3,666,147	\$ 3,818,496	\$ 3,610,816
Plan Assets at Fair Value	2,747,290	3,025,832	3,269,354
Excess of Assets Over Benefit Obligation	918,857	792,664	341,462
Net Periodic Pension Costs	110,896	108,397	136,560
Contributions	(416,735)	(516,910)	(373,475)
Benefits Paid	338,088	261,038	267,602

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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 2012 was \$373,475 and for 2011 was \$262,512 per year from contributions. The DPC contributed \$402,067 and \$520,180 during the years ended June 30, 2013 and 2012 respectively.

All assets were held in the form of stocks and bonds on June 30, 2013 and 2012. 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 2013.

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>2013</u>	<u>2012</u>
Funds on Deposit		
Building Fund	\$ 96,632	\$ 100,033
Diocese Savings	656,269	653,912
Grand St. Property	38,181	28,551
Diocese Bus Fund	14,711	12,120
Catholic School System	5,863	5,690
	<u>\$ 811,656</u>	<u>\$ 800,306</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.

Note receivable for \$72,500 payable over 10 years due in monthly installments of \$823, earning interest at 6.5%. Secured by real property.

	<u>2013</u>
	\$ 65,266
Total Note Receivable	<u>65,266</u>
Less: Current Portion	<u>5,804</u>
Long-Term Portion	<u>\$ 59,462</u>

Maturities are as follows:

2015	\$	5,661	
2016		7,138	
2017		7,049	
2018		7,521	
2019		8,025	
2020-2022		24,068	
Total	\$	<u>59,462</u>	

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Note 17 – Subsequent Event

Date of Management Evaluation

Management has evaluated subsequent events through December 5, 2013, 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, 2013 AND 2012**

	2013	2012
General Administrative	\$ 387,974	\$ 356,078
Development Office	225,425	142,506
Business Office	210,390	213,320
Plant and Maintenance	191,299	187,096
IT Department	109,374	78,150
Charter Costs	77,847	66,920
Central Accounting	60,268	104,069
Human Resources	48,050	120,065
Risk Management	40,596	-
Building & Equipment Depreciation	28,533	25,530
Interest	14,967	20,795
Activity Center	13,522	7,381
Priests' Pension Plan	5,000	10,000
Discernment House	240	254
	<u>\$ 1,413,485</u>	<u>\$ 1,332,164</u>

See Independent Auditors' report and notes to financial statements.