

Diocese of Laredo Chancery Office

Audited Financial Statements

**For the Fiscal Year Ended
June 30, 2020**

Diocese of Laredo Chancery Office
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INDEPENDENT AUDITOR'S REPORT

To the Most Reverend James A. Tamayo
Bishop of Laredo
Diocese of Laredo Chancery Office

We have audited the accompanying financial statements of Diocese of Laredo Chancery Office (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Diocese of Laredo Chancery Office as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Canales, Garza & Baum, PLLC

Laredo, Texas
October 25, 2021

Diocese of Laredo Chancery Office
Statement of Financial Position
Year Ended June 30, 2020

	2020
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 1,714,821
Cash and Cash Equivalents, Designated	702,508
Accounts Receivable	3,938,463
Total Current Assets	6,355,792
PROPERTY AND EQUIPMENT	
Land, Buildings & Equipment, net of	
Accumulated Depreciation	2,715,418
Net Property and Equipment	2,715,418
OTHER ASSETS	
Accrued Interest	10,903
Other Assets	2,088
Long Term Investments	11,374,222
Long Term Investments, Designated	225,659
Total Other Assets	11,612,872
TOTAL ASSETS	\$ 20,684,082
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 195,776
Accrued Wages Payable	72,762
Deferred Revenues	744,265
Due to Others	1,187,843
Total Current Liabilities	2,200,646
NON-CURRENT LIABILITIES	
Paycheck Protection Program Loan	431,300
Underfunded Priest Pension Plan	967,931
Total Non-Current Liabilities	1,399,231
TOTAL LIABILITIES	3,599,877
NET ASSETS	
Without Donor Restrictions	17,084,205
With Donor Restrictions	-
TOTAL NET ASSETS	17,084,205
TOTAL LIABILITIES AND NET ASSETS	\$ 20,684,082

See accompanying notes to financial statements

Diocese of Laredo Chancery Office
Statement of Activities
For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>
Revenues, Gains, and Other Support			
Grant Revenue	\$ -	\$ 1,223,078	\$ 1,223,078
Diocesan Assessments to Parishes	1,078,002	-	1,078,002
Catholic Sharing Appeal	602,510	-	602,510
Donations	11,216	-	11,216
Investment Income	292,410	-	292,410
Rent Income	110,000	-	110,000
Other Income	181,137	-	181,137
Net assets released from restrictions:			
Expiration of time restriction on Grant Revenue	<u>1,223,078</u>	<u>(1,223,078)</u>	<u>-</u>
Total Support	3,498,353	-	3,498,353
Expenses			
Program Services	2,153,641	-	2,153,641
Supporting Services			
Management and General	<u>1,908,193</u>	<u>-</u>	<u>1,908,193</u>
Total Expenses	4,061,834	-	4,061,834
Increase (Decrease) in Net Assets	(563,481)	-	(563,481)
Net Assets at Beginning of Year	17,527,275	-	17,527,275
Unrealized Gain (Loss)	126,411		126,411
Prior Period Adjustment	(6,000)	-	(6,000)
Net Assets at End of Year	<u>\$ 17,084,205</u>	<u>\$ -</u>	<u>\$ 17,084,205</u>

See accompanying notes to financial statements

Diocese of Laredo Chancery Office
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services	Supporting Services Management and General	2020 Total Expenses
Advertising	\$ 202	\$ -	\$ 202
Auto expense	742	2,186	2,928
Bank charges	-	2,806	2,806
Chapel expense	7,223	109	7,332
Computer service and supplies	1,164	387	1,551
Contract labor	3,029	647	3,676
Design and content	111,025	-	111,025
Donations	260	-	260
Educational training materials	6,292	-	6,292
Employee benefits and allowances	17,942	10,750	28,692
Grant expenses	460,914	90,822	551,736
Medical expenses	7,063	427	7,490
Insurance	214,426	223,882	438,308
Licenses, dues and fees	66,806	11,679	78,485
Meals and entertainment	12,027	-	12,027
Meeting, workshops and retreats	8,979	580	9,559
Miscellaneous	1,316	-	1,316
Office supplies	6,376	4,990	11,366
Office expense	-	1,337	1,337
Payroll tax	39,850	75,824	115,674
Postage	10,557	5,772	16,329
Printing	4,411	14,050	18,461
Professional development	2,640	2,039	4,679
Professional fees	1,929	111,117	113,046
Property taxes	-	4,203	4,203
Reimbursement CSA	23,293	-	23,293
Repairs and maintenance	-	52,213	52,213
Retirement	27,217	29,937	57,154
Safe environment expense	-	452	452
Salaries	561,150	1,067,380	1,628,530
Seminarian support	108,213	-	108,213
Small equipment	9,056	-	9,056
Special gifts	3,203	-	3,203
Special projects	37,984	2,127	40,111
Stipends	20,108	-	20,108
Subsidies	162,226	-	162,226
Telephone	4,407	7,897	12,304
Travel	17,430	5,970	23,400
Tuition and books	175,470	-	175,470
Utilities	18,711	68,751	87,462
Total Expenses before Depreciation	2,153,641	1,798,334	3,951,975
Depreciation	-	109,859	109,859
Total Expenses	\$ 2,153,641	\$ 1,908,193	\$ 4,061,834

See accompanying notes to financial statements

Diocese of Laredo Chancery Office
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash Flows From Operating Activities:

Increase (Decrease) in Net Assets	\$ (437,070)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operations:	
(Increase) Decrease in Assets:	
Accounts Receivable	(2,033,356)
Accrued Interest	11,478
Increase (Decrease) in Liabilities:	
Accounts Payable	35,946
Accrued Wages Payable	36,067
Deferred Revenues	144,516
Due to Others	(174,609)
Depreciation	109,859
Prior Period Adjustment	<u>(6,000)</u>
Total Adjustments	<u>(1,876,099)</u>
Net Cash Provided (Used) by Operating Activities	<u>(2,313,169)</u>

Cash Flows From Investment Activities:

Purchase of Investments	<u>184,869</u>
Net Cash Provided (Used) by Investing Activities	<u>184,869</u>

Cash Flows From Financing Activities:

Proceeds from the Paycheck Protection Program Loan	<u>431,300</u>
Net Cash Provided (Used) by Financing Activities	<u>431,300</u>

Net Increase (Decrease) in Cash (1,697,000)

Cash and Cash Equivalents at Beginning of Year 4,114,329

Cash and Cash Equivalents at End of Year \$ 2,417,329

Cash and Cash Equivalents	\$ 1,714,821
Cash and Cash Equivalents, Designated	<u>702,508</u>

Total Cash and Cash Equivalents at End of Year \$ 2,417,329

See accompanying notes to financial statements

Diocese of Laredo Chancery Office
Notes to Financial Statements
June 30, 2020

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

On August 9, 2000, the Roman Catholic Diocese of Laredo was created. At that time, all assets of the Diocese of Corpus Christi known as the Western Vicariate was transferred to the new Diocese. The Roman Catholic Diocese of San Antonio also transferred part of its assets to the Roman Catholic Diocese of Laredo as of August 9, 2000.

The Diocese of Laredo Chancery Office (the “Chancery Office”) is the administrative entity of the Roman Catholic Diocese of Laredo (the “Diocese”). The Chancery Office provides planning and direction in the administration of pastoral, education, and support services to its parishes and Diocesan institutions. The Chancery Office also provides various supporting services to its parishes and affiliated organizations of the Diocese. In some instances, a nominal fee is charged which helps defray the cost of providing such services. Assessments to parishes are determined annually based on certain financial indicators provided by the parishes.

The assets, liabilities, net assets, and financial activities of the various religious orders, lay social societies, and religious organizations which operate within the Diocese, but which are not fiscally responsible to the Bishop, including parishes and schools, have not been included in the accompanying financial statements.

Financial Statement Presentation

Net assets of the Organization are classified based on existence or absence of donor-imposed restrictions. Net assets are classified as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings related to net assets with donor restrictions will be included in net assets without donor-restrictions unless specifically required to be included in donor restricted net assets by the donor or by applicable state law.

Liquidity and Availability of Financial Assets

The following reflects the Organization’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of designations by the Chancery. Amounts not available include amounts set aside for Chancery designated purposes.

	<u>06/30/2020</u>
Net Assets Without Donor Restrictions	
Undesignated	\$ 2,911,443
Designated-Property and Equipment	2,715,418
Designated-Charity Fund	82,351
Designated-Restricted Support	<u>11,374,993</u>
Total Net Assets Without Donor Restrictions	<u>\$ 17,084,205</u>

Diocese of Laredo Chancery Office
Notes to Financial Statements
June 30, 2020

The accompanying financial statements include all accounts maintained by and directly under the administration of the Chancery Office and do not include the accounts of organizations of the Diocese such as parishes, schools, cemeteries, seminaries, nor any other institution owned and operated by religious orders of men or women, except insofar as financial transactions have taken place between such organizations and the Chancery Office. These organizations may or may not be separate corporations under civil law; however, each is an operating entity distinct from the Chancery Office, maintains separate accounts, carries on its own services and programs, and is expected to report annually to its respective constituency.

Operations

The Chancery Office has prepared the statement of activities in all material respects as provided in the *AICPA Audit and Accounting Guide for Not-for-Profit Organizations*.

The Chancery Office accounting balances reported as operations in the statement of financial position include the following:

- Program Services
- Management and General

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Cash and cash equivalents bank balances of \$1,917,329 from a total of \$2,417,329 were uninsured as of June 30, 2020.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded as receivables when the commitment is received, and allowances are provided for amounts estimated to be uncollectible. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

Land, Buildings, and Equipment

Acquisition of property and equipment in excess of \$5,000 is capitalized. Land, buildings, and equipment are recorded at cost or at fair market value at date of gift. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets (3 to 30 years) on a straight-line basis. Depreciation expense for the years ended June 30, 2020 was \$109,860.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Diocese of Laredo Chancery Office
Notes to Financial Statements
June 30, 2020

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

A number of volunteers have donated their time to the Chancery Office's programs, fund-raising, and management. No amounts have been recorded in the financial statements for such donated services.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

Income Taxes

The Chancery Office is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. However, the Chancery Office is subject to tax under Section 511(a) to the extent it has unrelated business taxable income. The Chancery Office had no material unrelated business taxable income during the fiscal year 2020.

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.

Investments

The Chancery has adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets with donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gain are recognized.

Designations

The Chancery has self-imposed designations that sets aside funds for purposes as disclosed.

NOTE 2 - ACCOUNTS RECEIVABLE

Accounts Receivable as of June 30, 2020 consisted of the following:

	<u>06/30/2020</u>
Parishes Insurance	\$ 423,368
Parish Assessments	479,916
Other	3,035,179
	<u>\$ 3,938,463</u>

Management believes these receivables are collectible as of June 30, 2020.

Diocese of Laredo Chancery Office
Notes to Financial Statements
June 30, 2020

NOTE 3 - INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value in the statement of financial position. Donated marketable securities are recorded at market value on the date of donation. Unrealized gains and losses are included in the statement of activities.

Investments are stated at market value and consist of the following as of June 30, 2020:

	06/30/2020
Exchange Traded Products	\$ 2,810,808
Equities	117,924
Fixed Income	1,332,886
Mutual Funds	3,507,987
Other	3,830,276
	\$ 11,599,881

The investments are managed and held by independent banks and capital management firms. Investment income for the year ended June 30, 2020 is comprised of the following:

	06/30/2020
Interest Income	\$ 292,410
Unrealized and realized gains/(losses)	126,411
	\$ 418,821

Designated Cash and Investments

As noted in Note 7, the Chancery Office also received cash and income used to set up the following funds: Infirm Priest Fund, Poor Parishes, Catholic Umbrella Pool and School Endowment. These account balances have been listed as designated cash in the accompanying statement of financial position as of June 30, 2020 as follows:

	Designated Cash and Investments
	06/30/2020
<u>Cash and Cash Equivalents</u>	
Infirm Priest Fund	\$ 151,217
Poor Parishes	129,376
Catholic Umbrella Pool	270,524
School Endowment	151,392
Total Designated Cash and Cash Equivalents	702,509
<u>Investments</u>	
Catholic Umbrella Pool	225,659
Chancery	10,482,947
Total Designated Investments	10,482,947
Total Designated Cash and Investments	\$ 11,185,456

Diocese of Laredo Chancery Office
Notes to Financial Statements
June 30, 2020

NOTE 4 - LAND, BUILDINGS AND EQUIPMENT

At June 30, 2020 land, buildings and equipment consisted of the following:

	06/30/2020
Land	\$ 455,639
Buildings	4,439,899
Equipment	403,454
Automobiles	173,058
	\$ 5,472,050
Less accumulated depreciation	(2,756,632)
	\$ 2,715,418

There were no additions or deletions during the year.

NOTE 5 - DEFERRED REVENUES

The Catholic Sharing Appeal campaign year runs from February 1st through January 31st, which is different than the Chancery Office's June 30th fiscal year end. Thus, pledges collected from February 1st through June 30th are not considered earned and are therefore deferred and recognized the following fiscal year.

During the year, the Chancery Office received several grants from the Kennedy Memorial Foundation. As of June 30, 2020, they had not met the requirements to recognize the income as being earned. Deferred revenues consisted of the following as of June 30, 2020:

	06/30/2020
Catholic Sharing Appeal	\$ 135,729
Kenedy Grants	16,050
Other	592,486
	\$ 744,265

NOTE 6 - DUE TO OTHERS

Amounts due to others are monies held for the benefit of other agencies and affiliates. Funds are noninterest-bearing and without repayment terms. Due to others as of June 30, 2020 is comprised of the following:

	06/30/2020
Health and benefits	\$ 640,269
Restricted for Insurance	106,673
Diocesan entities	232,985
Second collection deposits	207,916
	\$ 1,187,843

NOTE 7 - DESIGNATIONS ON NET ASSETS

At June 30, 2020, net assets consisted of the following:

Diocese of Laredo Chancery Office
Notes to Financial Statements
June 30, 2020

		06/30/2020
Designated Net Assets		
Infirm Priests	\$	151,217
Poor Parishes		129,376
Catholic Umbrella Pool		460,062
School Endowment		151,392
Chancery		10,482,947
Total Designated Net Assets	\$	11,374,994
 Undesignated Net Assets		 5,709,211
 Total Net Assets	\$	 17,084,205

NOTE 8 - EMPLOYEE BENEFITS

Employees of the Chancery Office are provided with health, dental, and life insurance. Employees contributed \$96.98 per month from July 2019 through June 2020 toward the total premium. Employees of the Chancery Office working a minimum of twenty hours a week who complete one year of service are eligible to participate in the Chancery Office defined contribution 403(b) plan (the "Plan"). Under the terms of the Plan, the Chancery Office makes biweekly contributions to the Plan's trustee based on 3% percent of gross annual salary. Employees are fully vested in employer's contributions on the 5th year of service and may make voluntary tax-deferred contributions up to limits specified by federal income tax regulations. All contributions into the Plan are credited to individual accounts maintained by the Plan's trustee for each participating employee. The total contributions attributable to the Chancery Office for the year ended June 30, 2020 were \$45,670.

NOTE 9 – CONCENTRATIONS

Of the total revenues and support received for the fiscal year ended June 30, 2020, 17% came from Catholic Sharing Appeal, 30% came from Diocesan assessments to parishes and 27% came from grant income.

NOTE 10 – DIOCESE OF CORPUS CHRISTI CHANCERY

The Diocese of Laredo received quarterly and annual payments from the Dioceses of Corpus Christi as part of the division of assets by the Holy See upon erection of the Dioceses of Laredo on August 9, 2000. These payments represent 40% of the amounts from royalties received by the Diocese of Corpus Christi as an income beneficiary of the Kenedy Memorial Foundation and the John G. Kenedy Trust.

In June 2010, the Dioceses of Laredo and Corpus Christi completed an arbitration process under the procedures of the United States Conference of Catholic Bishops ("USCCB"). The Committee of Canonical Affairs and Church Governance of the USCCB presided over the arbitration hearing which resulted in a Memorandum of Settlement and Request for the Final Division of Goods ("settlement") being signed both Bishops on June 10, 2010. The Settlement was subsequently forwarded to the Holy See, with the Holy See granting approval of the Settlement in August 2010. As part of the terms of the agreement, the Diocese of Corpus Christi paid the Diocese of Laredo \$10,040,096 as final settlement of the division of goods between the two dioceses.

The funds received by the Diocese of Laredo from the Diocese of Corpus Christi and any interest earning from these funds are designated by the Chancery and as of June 30, 2020 has a balance of \$10,482,947.

Diocese of Laredo Chancery Office
Notes to Financial Statements
June 30, 2020

NOTE 11 – UNDERFUNDED PRIEST PENSION PLAN

An actuarial valuation report for the Diocese of Laredo Priest Pension Plan, a defined benefit pension plan, was prepared as of July 1, 2019. The actuarial valuation report reflects an underfunded accrued liability as of July 1, 2019 of \$967,931, calculated as follows:

Actuarial Present Value of Accumulated Plan Benefits as of July 1, 2019	\$ 1,832,495
Less: Market Value of Assets as of July 1, 2019	(864,635)
Underfunded Priest Pension Plan as of July 1, 2019	<u>\$ 967,860</u>

Due to the cost of actuarial valuations, the Diocese has a policy of obtaining actuarial valuations every three years.

NOTE 12 – PRIOR PERIOD ADJUSTMENTS

The Statement of Activities includes a prior period adjustment of \$6,000. Such adjustment is related to the adjustment of due to others.