

Diocese of Laredo Chancery Office
Audited Financial Statements
For the Fiscal Year Ended
June 30, 2021

**Diocese of Laredo Chancery Office
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June 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position Diocese of Laredo Chancery Office as of June 30, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Diocese of Laredo Chancery Office and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Diocese of Laredo Chancery Office's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue as auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Diocese of Laredo Chancery Office's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese of Laredo Chancery Office's ability to continue as a going concern for a reasonable period of time.

We are required to communicate those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Canales, Hargis & Baum, PLLC

Laredo, Texas
March 18, 2022

**Diocese of Laredo Chancery Office
Statement of Financial Position
Year Ended June 30, 2021**

| | 2021 |
|-----------------------------------------------------------------|----------------------|
| ASSETS | |
| CURRENT ASSETS | |
| Cash and Cash Equivalents | \$ 2,630,451 |
| Cash and Cash Equivalents, Designated | 704,249 |
| Accounts Receivable | 5,976,461 |
| Total Current Assets | 9,311,161 |
| PROPERTY AND EQUIPMENT | |
| Land, Buildings & Equipment, net of Accumulated Depreciation | 2,605,558 |
| Net Property and Equipment | 2,605,558 |
| OTHER ASSETS | |
| Accrued Interest | 4,394 |
| Other Assets | 2,088 |
| Long Term Investments | 10,318,924 |
| Long Term Investments, Designated | 271,612 |
| Total Other Assets | 10,597,018 |
| TOTAL ASSETS | \$ 22,513,737 |
| LIABILITIES AND NET ASSETS | |
| CURRENT LIABILITIES | |
| Accounts Payable | \$ 86,652 |
| Accrued Wages Payable | 36,778 |
| Deferred Revenues | 1,051,460 |
| Due to Others | 1,433,043 |
| Total Current Liabilities | 2,607,933 |
| NON-CURRENT LIABILITIES | |
| Paycheck Protection Program Loan | 431,300 |
| Underfunded Priest Pension Plan | 967,931 |
| Total Non-Current Liabilities | 1,399,231 |
| TOTAL LIABILITIES | 4,007,164 |
| NET ASSETS | |
| Without Donor Restrictions | 18,506,573 |
| With Donor Restrictions | - |
| TOTAL NET ASSETS | 18,506,573 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 22,513,737 |

See accompanying notes to financial statements

**Diocese of Laredo Chancery Office
Statement of Activities
For the Year Ended June 30, 2021**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>2021 Total</u> |
|----------------------------------------------------|---------------------------------------|------------------------------------|------------------------------------|
| Revenues, Gains, and Other Support | | | |
| Grant Revenue | \$ - | \$ 1,434,061 | \$ 1,434,061 |
| Diocesan Assessments to Parishes | 879,210 | - | 879,210 |
| Catholic Sharing Appeal | 527,360 | - | 527,360 |
| Donations | 50,195 | - | 50,195 |
| Investment Income | 241,743 | - | 241,743 |
| Rent Income | 120,000 | - | 120,000 |
| Other Income | 158,723 | - | 158,723 |
| PPP Loan Forgiveness Income | 431,300 | - | 431,300 |
| Net assets released from restrictions: | | | |
| Expiration of time restriction on Grant Revenue | <u>1,434,061</u> | <u>(1,434,061)</u> | <u>-</u> |
| Total Support | 3,842,592 | - | 3,842,592 |
| Expenses | | | |
| Program Services | 2,296,176 | - | 2,296,176 |
| Supporting Services | | | |
| Management and General | <u>1,288,566</u> | <u>-</u> | <u>1,288,566</u> |
| Total Expenses | <u>3,584,742</u> | <u>-</u> | <u>3,584,742</u> |
| Increase (Decrease) in Net Assets | 257,850 | - | 257,850 |
| Net Assets at Beginning of Year | <u>17,084,205</u> | <u>-</u> | <u>17,084,205</u> |
| Unrealized Gain (Loss) | 1,164,518 | | 1,164,518 |
| Prior Period Adjustment | - | - | - |
| Net Assets at End of Year | <u><u>\$ 18,506,573</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 18,506,573</u></u> |

See accompanying notes to financial statements

**Diocese of Laredo Chancery Office
Statement of Functional Expenses
For the Year Ended June 30, 2021**

| | Program Services | Supporting Services Management and General | 2021 Total Expenses |
|-------------------------------------------|---------------------|-----------------------------------------------------|---------------------------|
| Advertising | \$ - | \$ 825 | \$ 825 |
| Auto expense | 1,406 | 854 | 2,260 |
| Bank charges | 933 | 1,290 | 2,223 |
| Chapel expense | 7,335 | - | 7,335 |
| Computer service and supplies | 1,043 | 1,671 | 2,714 |
| Contract labor | - | 250 | 250 |
| Debt forgiven | 562,370 | - | 562,370 |
| Design and content | 59,451 | - | 59,451 |
| Donations | 1,363 | - | 1,363 |
| Educational training materials | 4,798 | - | 4,798 |
| Employee benefits and allowances | - | 6,586 | 6,586 |
| Grant expenses | 508,499 | - | 508,499 |
| Medical expenses | 4,913 | - | 4,913 |
| Insurance | 132,739 | 165,007 | 297,746 |
| Licenses, dues and fees | 34,363 | 40,058 | 74,421 |
| Meals and entertainment | 9,489 | - | 9,489 |
| Meeting, workshops and retreats | 4,326 | 643 | 4,969 |
| Miscellaneous | 5,500 | - | 5,500 |
| Office supplies | 7,004 | - | 7,004 |
| Office expense | - | 679 | 679 |
| Payroll tax | 18,356 | 50,845 | 69,201 |
| Postage | 767 | 6,411 | 7,178 |
| Printing | 1,372 | 12,195 | 13,567 |
| Professional development | 221 | 549 | 770 |
| Professional fees | 2,765 | 82,336 | 85,101 |
| Property taxes | - | 3,973 | 3,973 |
| Reimbursement CSA | - | 9,037 | 9,037 |
| Repairs and maintenance | 5,715 | 31,914 | 37,629 |
| Retirement | 13,889 | 8,705 | 22,594 |
| Safe environment expense | - | 2,670 | 2,670 |
| Salaries | 334,837 | 684,093 | 1,018,930 |
| Seminarian support | 106,172 | - | 106,172 |
| Small equipment | 2,370 | 578 | 2,948 |
| Special gifts | - | - | - |
| Special projects | 7,336 | - | 7,336 |
| Stipends | 15,398 | - | 15,398 |
| Subsidies | 260,670 | - | 260,670 |
| Telephone | 7,410 | 4,474 | 11,884 |
| Travel | 2,908 | 1,819 | 4,727 |
| Tuition and books | 163,286 | - | 163,286 |
| Utilities | 7,172 | 61,245 | 68,417 |
| Total Expenses before Depreciation | 2,296,176 | 1,178,707 | 3,474,883 |
| Depreciation | - | 109,859 | 109,859 |
| Total Expenses | \$ 2,296,176 | \$ 1,288,566 | \$ 3,584,742 |

See accompanying notes to financial statements

**Diocese of Laredo Chancery Office
Statement of Cash Flows
For the Year Ended June 30, 2021**

| | 2021 |
|---------------------------------------------------------------------------------------------------|--------------|
| Cash Flows From Operating Activities: | |
| Increase (Decrease) in Net Assets | \$ 1,422,368 |
| Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operations: | |
| (Increase) Decrease in Assets: | |
| Accounts Receivable | (2,037,998) |
| Accrued Interest | 6,510 |
| Increase (Decrease) in Liabilities: | |
| Accounts Payable | (109,124) |
| Accrued Wages Payable | (35,984) |
| Deferred Revenues | 307,195 |
| Due to Others | 245,200 |
| Depreciation | 109,859 |
| Total Adjustments | (1,514,342) |
| Net Cash Provided (Used) by Operating Activities | (91,974) |
| Cash Flows From Investment Activities: | |
| Purchase of Investments | 1,009,345 |
| Net Cash Provided (Used) by Investing Activities | 1,009,345 |
| Net Increase (Decrease) in Cash | 917,371 |
| Cash and Cash Equivalents at Beginning of Year | 2,417,329 |
| Cash and Cash Equivalents at End of Year | \$ 3,334,700 |
| Cash and Cash Equivalents | \$ 2,630,451 |
| Cash and Cash Equivalents, Designated | 704,249 |
| Total Cash and Cash Equivalents at End of Year | \$ 3,334,700 |

See accompanying notes to financial statements

Diocese of Laredo Chancery Office
Notes to Financial Statements
June 30, 2021

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.

| | 06/30/2021 |
|---------------------------------------------|---------------|
| Net Assets Without Donor Restrictions | |
| Undesignated | \$ 5,387,366 |
| Designated-Property and Equipment | 2,605,559 |
| Designated-Charity Fund | 82,426 |
| Designated-Restricted Support | 10,431,222 |
| Total Net Assets Without Donor Restrictions | \$ 18,506,573 |

Diocese of Laredo Chancery Office
Notes to Financial Statements
June 30, 2021

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 \$2,834,700 from a total of \$3,334,700 were uninsured as of June 30, 2021.

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, 2021 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, 2021

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 2021.

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, 2021 consisted of the following:

| | 06/30/2021 |
|-----------------------|---------------------|
| Parishes Insurance | \$ 407,052 |
| Parish Assessments | 642,026 |
| San Agustin Cathedral | 4,000,000 |
| Other | 927,383 |
| | <u>\$ 5,976,461</u> |

Diocese of Laredo Chancery Office
Notes to Financial Statements
June 30, 2021

Management believes these receivables are collectible as of June 30, 2021.

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.

| | 06/30/2021 |
|--------------------------|---------------|
| Exchange Traded Products | \$ 3,888,474 |
| Equities | 160,856 |
| Fixed Income | 492,584 |
| Mutual Funds | 1,720,394 |
| Other | 4,328,228 |
| | \$ 10,590,536 |

Investments are stated at market value and consist of the following as of June 30, 2021:

The investments are managed and held by independent banks and capital management firms. Investment income for the year ended June 30, 2021 is comprised of the following:

| | 06/30/2021 |
|----------------------------------------|--------------|
| Interest Income | \$ 241,743 |
| Unrealized and realized gains/(losses) | 1,164,518 |
| | \$ 1,406,261 |

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, 2021 as follows:

| | Designated Cash and Investments | |
|------------------------------------------|---------------------------------|------------|
| | 06/30/2021 | |
| <u>Cash and Cash Equivalents</u> | | |
| Infirm Priest Fund | \$ | 153,053 |
| Poor Parishes | | 129,339 |
| Catholic Umbrella Pool | | 270,501 |
| School Endowment | | 151,359 |
| Total Designated Cash and Cash Equivalen | | 704,252 |
| <u>Investments</u> | | |
| Catholic Umbrella Pool | | 271,612 |
| Chancery | | 10,318,924 |
| Total Designated Investments | | 10,590,536 |
| Total Designated Cash and Investments | \$ | 11,294,788 |

Diocese of Laredo Chancery Office
Notes to Financial Statements
June 30, 2021

NOTE 4 - LAND, BUILDINGS AND EQUIPMENT

At June 30, 2021 land, buildings and equipment consisted of the following:

| | 06/30/2021 |
|-------------------------------|--------------|
| Land | \$ 455,639 |
| Buildings | 4,439,899 |
| Equipment | 403,454 |
| Automobiles | 173,058 |
| | \$ 5,472,050 |
| Less accumulated depreciation | (2,866,491) |
| | \$ 2,605,559 |

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, 2021, they had not met the requirements to recognize the income as being earned. Deferred revenues consisted of the following as of June 30, 2021:

| | 06/30/2021 |
|----------------------------|--------------|
| Catholic Sharing Appeal | \$ 258,717 |
| Kenedy Grants | 16,050 |
| Second Collection Deposits | 171,539 |
| Other | 605,154 |
| | \$ 1,051,460 |

Diocese of Laredo Chancery Office
Notes to Financial Statements
June 30, 2021

NOTE 6 - RELATED PARTY TRANSACTIONS

The organization engages in various transactions with entities that share a common governing board. Such transactions include amounts due from the related parties and due to the related parties.

The following list includes such transactions as of June 30, 2021:

| | 06/30/2021 |
|------------------------------------|--------------|
| <u>Related Accounts Recivables</u> | |
| Deposit and Loan Fund | \$ 22,000 |
| Catholic Charities | 2,919 |
| San Agustin Cathedral | 4,000,000 |
| Parish Assessments | 1,128,143 |
| Total Due from Diocese | \$ 5,153,062 |
| <u>Related Due to Others</u> | |
| Deposit and Loan Fund | \$ 206,697 |
| San Agustin Restoration | 17,179 |
| Total Due to Diocese | \$ 223,876 |

NOTE 7 - DESIGNATIONS ON NET ASSETS

At June 30, 2021, net assets consisted of the following:

| | 06/30/2021 |
|------------------------------|---------------|
| <u>Designated Net Assets</u> | |
| Infirm Priest | \$ 153,053 |
| Poor Parishes | 129,339 |
| Catholic Umbrella Pool | 460,039 |
| School Endowment | 151,357 |
| Chancery | 9,537,435 |
| Total Designated Net Assets | \$ 10,431,223 |
| Undesignated Net Assets | 8,075,350 |
| Total Net Assets | \$ 18,506,573 |

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 2020 through June 2021 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, 2021 were \$11,108.

Diocese of Laredo Chancery Office
Notes to Financial Statements
June 30, 2021

NOTE 9 – CONCENTRATIONS

Of the total revenues and support received for the fiscal year ended June 30, 2021, 14% came from Catholic Sharing Appeal, 23% came from Diocesan assessments to parishes and 37% 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, 2021 has a balance of \$9,537,435.

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, 2020. The actuarial valuation report reflects an underfunded accrued liability as of July 1, 2020 of \$967,931, calculated as follows:

| | |
|-------------------------------------------------------------------------|---------------------|
| Actuarial Present Value of Accumulated Plan Benefits as of July 1, 2020 | \$ 1,900,515 |
| Less: Market Value of Assets as of July 1, 2020 | <u>(863,907)</u> |
| Underfunded Priest Pension Plan as of July 1, 2020 | <u>\$ 1,036,608</u> |

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