

Diocese of Laredo Chancery Office
Audited Financial Statements
For the Fiscal Year Ended
June 30, 2022

**Diocese of Laredo Chancery Office
Table of Contents
June 30, 2022**

	<u>Page</u>
<u>Audited Financial Statements</u>	
Independent Auditors' Report.....	1
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7



Aaron Canales, CPA
Juan José Garza, CPA
† J. Clayton Baum, CPA
Guadalupe Garcia-Wright, CPA

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, 2022, 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, 2022, 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 a 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.

Canale, Garza & Baum, PLLC

Laredo, Texas
December 9, 2022

**Diocese of Laredo Chancery Office
Statement of Financial Position
Year Ended June 30, 2022**

	2022
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 2,901,182
Cash and Cash Equivalents, Designated	726,288
Accounts Receivable	3,734,819
Total Current Assets	7,362,289
 PROPERTY AND EQUIPMENT	
Land, Buildings & Equipment, net of Accumulated Depreciation	2,569,813
Net Property and Equipment	2,569,813
 OTHER ASSETS	
Accrued Interest	17,448
Other Assets	2,088
Long Term Investments	11,338,717
Long Term Investments, Designated	254,600
Total Other Assets	11,612,853
 TOTAL ASSETS	 \$ 21,544,955
 LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 226,146
Accrued Wages Payable	51,876
Deferred Revenues	1,109,087
Due to Others	998,715
Total Current Liabilities	2,385,824
 NON-CURRENT LIABILITIES	
Underfunded Priest Pension Plan	967,931
Total Non-Current Liabilities	967,931
 TOTAL LIABILITIES	 3,353,755
 NET ASSETS	
Without Donor Restrictions	18,191,200
With Donor Restrictions	-
 TOTAL NET ASSETS	 18,191,200
 TOTAL LIABILITIES AND NET ASSETS	 \$ 21,544,955

See accompanying notes to financial statements

Diocese of Laredo Chancery Office
Statement of Activities
For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>
Revenues, Gains, and Other Support			
Grant Revenue	\$ -	\$ 1,460,560	\$ 1,460,560
Diocesan Assessments to Parishes	749,089	-	749,089
Catholic Sharing Appeal	371,982	-	371,982
Donations	61,905	-	61,905
Investment Income	166,635	-	166,635
Rent Income	120,000	-	120,000
Other Income	203,146	-	203,146
PPP Loan Forgiveness Income	431,300	-	431,300
Net assets released from restrictions:			
Expiration of time restriction on Grant Revenue	<u>1,460,560</u>	<u>(1,460,560)</u>	<u>-</u>
Total Support	3,564,617	-	3,564,617
Expenses			
Program Services	1,511,315	-	1,511,315
Supporting Services			
Management and General	<u>1,472,266</u>	<u>-</u>	<u>1,472,266</u>
Total Expenses	<u>2,983,581</u>	<u>-</u>	<u>2,983,581</u>
Increase (Decrease) in Net Assets	581,036	-	581,036
Net Assets at Beginning of Year	<u>18,506,573</u>	<u>-</u>	<u>18,506,573</u>
Unrealized Gain (Loss)	(896,409)		(896,409)
Prior Period Adjustment	-	-	-
Net Assets at End of Year	<u><u>\$ 18,191,200</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,191,200</u></u>

See accompanying notes to financial statements

**Diocese of Laredo Chancery Office
Statement of Functional Expenses
For the Year Ended June 30, 2022**

	Program Services	Supporting Services Management and General	2022 Total Expenses
Advertising	\$ 255	\$ 925	\$ 1,180
Auto expense		3,838	3,838
Bank charges		2,349	2,349
Chapel expense	4,119		4,119
Computer service and supplies	598	1,556	2,154
Contract labor		40,490	40,490
Debt forgiven	10,646		10,646
Design and content	57,852		57,852
Educational training materials	10,045		10,045
Employee benefits and allowances	4,169	2,500	6,669
Grant expenses	417,198	188,423	605,621
Medical expenses	89,091	1,511	90,602
Insurance	114,315	132,838	247,153
Licenses, dues and fees	5,401	62,224	67,625
Meals and entertainment	9,951		9,951
Meeting, workshops and retreats	5,386		5,386
Miscellaneous	6,710		6,710
Office supplies		6,388	6,388
Office expense		674	674
Payroll tax	20,322	47,681	68,003
Postage	9,184	3,388	12,572
Printing	2,289	7,686	9,975
Professional development	656	1,241	1,897
Professional fees	9,455	121,263	130,718
Property taxes		3,929	3,929
Repairs and maintenance		19,356	19,356
Retirement	8,902	36,549	45,451
Safe environment expense		8,049	8,049
Salaries	341,170	635,848	977,018
Seminarian support	71,978		71,978
Small equipment	4,766		4,766
Special gifts		20	20
Special projects	13,697		13,697
Stipends	12,330		12,330
Subsidies	157,668		157,668
Telephone	7,138	4,047	11,185
Travel	3,717	7,735	11,452
Tuition and books	112,307		112,307
Utilities		22,406	22,406
Total Expenses before Depreciation	1,511,315	1,362,914	2,874,229
Depreciation	-	109,352	109,352
Total Expenses	\$ 1,511,315	\$ 1,472,266	\$ 2,983,581

See accompanying notes to financial statements

**Diocese of Laredo Chancery Office
Statement of Cash Flows
For the Year Ended June 30, 2022**

	<u>2022</u>
Cash Flows From Operating Activities:	
Increase (Decrease) in Net Assets	\$ (315,373)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operations:	
(Increase) Decrease in Assets:	
Accounts Receivable	2,241,642
Accrued Interest	(13,054)
Increase (Decrease) in Liabilities:	
Accounts Payable	139,494
Accrued Wages Payable	15,098
Deferred Revenues	57,627
Due to Others	(434,328)
Paycheck Protection Program Loan	(431,300)
Depreciation	109,352
Total Adjustments	<u>1,684,531</u>
Net Cash Provided (Used) by Operating Activities	<u>1,369,158</u>
Cash Flows From Investment Activities:	
Purchases of Equipment	(73,607)
Purchases of Investments	<u>(1,002,781)</u>
Net Cash Provided (Used) by Investing Activities	<u>(1,076,388)</u>
Net Increase (Decrease) in Cash	292,770
Cash and Cash Equivalents at Beginning of Year	<u>3,334,700</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,627,470</u>
Cash and Cash Equivalents	\$ 2,901,182
Cash and Cash Equivalents, Designated	<u>726,288</u>
Total Cash and Cash Equivalents at End of Year	<u><u>\$ 3,627,470</u></u>

See accompanying notes to financial statements

Diocese of Laredo Chancery Office
Notes to Financial Statements
June 30, 2022

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>06/30/2022</u>
Net Assets Without Donor Restrictions	
Undesignated	\$ 4,128,890
Designated-Property and Equipment	2,569,813
Designated-Charity Fund	85,564
Designated-Restricted Support	<u>11,406,933</u>
Total Net Assets Without Donor Restrictions	<u>\$ 18,191,200</u>

Diocese of Laredo Chancery Office
Notes to Financial Statements
June 30, 2022

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 \$3,127,470 from a total of \$3,627,470 were uninsured as of June 30, 2022.

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, 2022 was \$109,352.

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, 2022

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 2022.

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, 2022 consisted of the following:

	06/30/2022
Parishes Insurance	\$ 133,113
Parish Assessments	550,452
San Agustin Cathedral	2,201,529
Other	849,725
	<u>\$ 3,734,819</u>

Diocese of Laredo Chancery Office
Notes to Financial Statements
June 30, 2022

Management believes these receivables are collectible as of June 30, 2022.

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.

	06/30/2022
Exchange Traded Products	\$ 2,428,202
Equities	135,321
Fixed Income	3,708,455
Mutual Funds	1,291,395
Other	4,029,944
	\$ 11,593,317

Investments are stated at market value and consist of the following as of June 30, 2022:

The investments are managed and held by independent banks and capital management firms. Investment income for the year ended June 30, 2022 is comprised of the following:

	06/30/2022
Interest Income	\$ 166,635
Unrealized and realized gains/(losses)	(896,409)
	\$ (729,774)

Designated Cash and Investments

As noted in Note 8, 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, 2022 as follows:

	Designated Cash and Investments
	06/30/2022
<u>Cash and Cash Equivalents</u>	
Infirm Priest Fund	\$ 175,188
Poor Parishes	129,302
Catholic Umbrella Pool	270,477
School Endowment	151,321
Total Designated Cash and Cash Equivalen	726,288
 <u>Investments</u>	
Catholic Umbrella Pool	254,600
Chancery	11,338,717
Total Designated Investments	11,593,317
Total Designated Cash and Investments	\$ 12,319,605

Diocese of Laredo Chancery Office
Notes to Financial Statements
June 30, 2022

NOTE 4 - LAND, BUILDINGS AND EQUIPMENT

At June 30, 2022 land, buildings and equipment consisted of the following:

	06/30/2022
Land	\$ 455,639
Buildings	4,466,029
Equipment	450,930
Automobiles	173,058
	\$ 5,545,656
Less accumulated depreciation	(2,975,843)
	\$ 2,569,813

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, 2022, they had not met the requirements to recognize the income as being earned. Deferred revenues consisted of the following as of June 30, 2022:

	06/30/2022
Catholic Sharing Appeal	\$ 188,635
Kenedy Grants	16,050
Second Collection Deposits	192,389
Other	712,013
	\$ 1,109,087

NOTE 6 - EMPLOYEE BENEFITS

Employees of the Chancery Office are provided with health, dental, and life insurance. Employees contributed \$96.98 per month from July 2021 through June 2022 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, 2022 were \$34,051.

Diocese of Laredo Chancery Office
Notes to Financial Statements
June 30, 2022

NOTE 7 - 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, 2022:

	06/30/2022
<u>Related Accounts Recivables</u>	
Deposit and Loan Fund	\$ 33,000
Catholic Charities	87
San Agustin Cathedral	2,201,529
Parish Assessments	659,024
Total Due from Diocese	\$ 2,893,640
 <u>Related Due to Others</u>	
San Agustin Restoration	\$ 17,179
Total Due to Diocese	\$ 17,179

NOTE 8 - DESIGNATIONS ON NET ASSETS

At June 30, 2022, net assets consisted of the following:

	06/30/2022
Designated Net Assets	
Infirm Priests	\$ 175,188
Poor Parishes	129,302
Catholic Umbrella Pool	460,015
School Endowment	151,322
Chancery	10,491,106
Total Designated Net Assets	\$ 11,406,933
 Undesignated Net Assets	
	6,784,267
Total Net Assets	\$ 18,191,200

NOTE 9 – CONCENTRATIONS

Of the total revenues and support received for the fiscal year ended June 30, 2021, 10% came from Catholic Sharing Appeal, 21% came from Diocesan assessments to parishes and 41% 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

Diocese of Laredo Chancery Office
Notes to Financial Statements
June 30, 2022

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, 2022 has a balance of \$10,491,106.

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.