

DIOCESE OF LUBBOCK
FIVE YEAR SUMMARY
Years Ended June 30, 2020, 2019, 2018, 2017 and 2016

	2020	2019	2018	2017	2016
TOTAL ASSETS	\$ 8,594,956	\$ 7,358,318	\$ 6,242,041	\$ 6,532,516	\$ 5,890,356
TOTAL LIABILITIES	3,107,346	3,583,646	3,198,577	3,261,887	3,527,444
NET ASSETS	5,487,610	3,774,672	3,043,464	3,270,629	2,362,912
UNRESTRICTED REVENUE	5,457,798	5,196,331	3,988,682	4,802,451	5,927,765
UNRESTRICTED EXPENSES	4,381,227	4,409,588	4,023,202	3,932,195	5,849,254
INCREASE (DECREASE) IN OPERATIONAL NET ASSETS	1,076,571	713,294	(227,165)	587,954	(110,041)
Insurance proceeds	1,092,125	-	-	-	-
Pension liability (increase) decrease for the year	(277,084)	17,854	-	319,763	953,017
Minimum Pension Liability (unfunded portion of pension plan)	689,260	412,176	430,030	430,030	749,793
Deposit and Loan liability	1,459,750	1,486,744	1,659,372	1,579,659	1,755,476
Investment gains and (losses)	47,071	116,485	84,113	138,061	(90,334)

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

The Most Reverend Robert M. Coerver, S.T.L., M.S.
Bishop of the Diocese of Lubbock
4620 4th Street
Lubbock, Texas 79499

We have audited the accompanying financial statements of the Diocese of Lubbock-Central Administrative Office (the Diocese), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Diocese of Lubbock-Central Administrative Office as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Paula Breon, H. Daniel & Co.

May 28, 2021
El Paso, Texas

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
<u>ASSETS</u>		
Cash	\$ 1,330,547	\$ 1,046,888
Investments	1,746,321	1,738,100
Accounts receivable, net	179,571	205,999
Grants receivable	77,000	154,821
Loans receivable	256,243	318,811
Land, buildings, and equipment, net	5,005,274	3,893,699
TOTAL ASSETS	\$ 8,594,956	\$ 7,358,318
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 192,201	\$ 931,944
Deposits payable	1,459,750	1,486,744
Health insurance reserve	73,313	73,313
Accrued priest pension plan	689,260	412,176
Line of credit	692,822	679,469
Total liabilities	3,107,346	3,583,646
Net assets		
Without donor restrictions:		
Undesignated	\$ 1,787,418	\$ 817,797
Unfunded pension obligation	(689,260)	(412,176)
Investment in plant assets	4,312,452	3,214,230
Total without donor restrictions net assets	5,410,610	3,619,851
With donor restrictions:		
Special programs	77,000	154,821
Total with donor restrictions net assets	77,000	149,882
Total net assets	5,487,610	3,774,672
TOTAL LIABILITIES AND NET ASSETS	\$ 8,594,956	\$ 7,358,318

See independent accountant's report and notes to financial statements

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
SUPPORT AND REVENUE		
DCA and other contributions	\$ 1,461,701	\$ 1,017,541
Cathedraticum	268,123	508,771
Gifts and honorariums	1,155,808	1,686,871
Fees for programs and services	574,847	626,716
Interest and investment revenues	12,146	21,603
Royalties	2,719	4,008
Grants	533,570	604,753
Other revenues	132,343	153,544
Realized gain (loss) on investments	31,562	10,818
Unrealized (loss) gain on investments	15,509	105,667
Pass-through revenue	286,860	306,157
Other income- payroll protection program	338,874	
Miscellaneous revenues	488,915	-
Support and revenue	<u>5,302,977</u>	<u>5,046,449</u>
Net assets released from restriction	<u>154,821</u>	<u>149,882</u>
Total support and revenue	<u>5,457,798</u>	<u>5,196,331</u>
EXPENSES		
Program/ministries		
Adelante After School Program	\$ 10,473	\$ -
Campus ministry	72,643	61,925
Claims paid to parishes	145,233	168,954
Clergy	52,298	55,513
Communications and SPC	169,768	242,009
Convocation encuentro	-	1,230
DCA- reimbursement	-	152,507
Deacon continuing education	98,700	122,967
Deacon formation	23,026	63,373
Diocesan High School	150,001	-
EF3 Conference	30,060	-
Formation Division	67,382	87,843
John Saleh and other gifts	211,751	306,157
Office for catechesis	109,486	120,384
Office of family life	53,215	67,522
Office of worship & liturgical music	41,989	46,430
Parish sustenance	123,971	72,015
RCIA	19,365	21,383
Seminarians	205,527	175,296
Superintendent -admin	48,600	56,820
Superintendent of school - teachers	94,472	83,440
Vicar for consecrated life	9,861	3,714
Vicar general office	23,580	23,078
Vocations office	98,095	112,808
Youth and young adults	13,040	30,850
Jail ministry	1,564	289
Parish billable	33,592	3,883
Total program/ministries	<u>1,907,692</u>	<u>2,080,390</u>

See independent accountant's report and notes to financial statements

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

STATEMENTS OF ACTIVITIES (Continued)
YEARS ENDED JUNE 30, 2020 AND 2019

EXPENSES (Continued)	2020	2019
Management/administrative		
Bishop emeritus	\$ 23,533	\$ 26,433
Bishop's office	155,411	180,072
Bishop's residence	46,444	76,233
Catholic pastoral center	248,870	128,205
Catholic renewal center	321,283	198,763
Chancellor	122,242	126,285
Clergy continuing education	9,571	46,833
Clergy- legal and accounting	30,454	61,300
Clergy- salary and benefits	337,880	371,449
DCA	104,921	104,333
Deposit and loan	69,692	52,852
Development office	83,641	101,197
Facilities	103,971	110,031
Finance office	448,129	436,329
Marriage tribunal and canonical services	114,858	110,730
Parish administration	124,843	109,243
Social concerns	90,803	82,907
Office supplies- Joan Patton finance center	36,989	6,003
Total management/administrative	2,473,535	2,329,198
Total expenses	4,381,227	4,409,588
INCREASE IN NET ASSETS WITHOUT DONOR'S RESTRICTION BEFORE CAPITAL TRANSACTIONS	1,076,571	786,743
Capital transactions		
Insurance proceeds	1,092,125	-
Depreciation expense	(100,853)	(78,388)
Total capital transactions	991,272	(78,388)
INCREASE IN NET ASSETS WITHOUT DONOR'S RESTRICTIONS AFTER CAPITAL TRANSACTIONS	2,067,843	708,355
NET ASSETS WITH DONOR'S RESTRICTIONS		
Contributions	77,000	154,821
Net assets released	(154,821)	(149,882)
Total increase in net assets with donor's restrictions	(77,821)	4,939
TOTAL INCREASE IN NET ASSETS BEFORE PENSION LIABILITY	1,990,022	713,294
Other comprehensive income (loss)		
Minimum pension liability	(277,084)	17,854
NET ASSETS, Beginning of year	3,774,672	3,043,524
NET ASSETS, End of year	\$ 5,487,610	\$ 3,774,672

See independent accountant's report and notes to financial statements

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase (decrease) in net assets	\$ 1,712,938	\$ 731,148
Adjustments to reconcile net increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	100,853	78,388
Loss (gain) on disposal of fixed assets	86,251	
Net unrealized loss (gain) on investments	(15,509)	(105,667)
Changes in operating assets and liabilities		
(Increase) decrease:		
Accounts receivable	26,428	49,868
Grants receivable	77,821	(4,939)
Loans receivable	62,568	(130,649)
Increase (decrease):		
Accounts payable and accrued expenses	(739,743)	585,611
Accrued priest pension plan	277,084	(17,854)
Deposits payable	(26,994)	(172,628)
Net cash provided by operating activities	<u>1,561,697</u>	<u>1,013,278</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase and sales of investments	7,288	(298,389)
Purchase of property, plant, and equipment	(1,298,679)	(641,507)
Net cash used in investing activities	<u>(1,291,391)</u>	<u>(939,896)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of new debt (payments of debt)	13,353	(10,000)
Net cash provided by (used in) financing activities	<u>13,353</u>	<u>(10,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	283,659	63,382
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,046,888</u>	<u>983,506</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,330,547</u>	<u>\$ 1,046,888</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for interest	<u>\$ 17,083</u>	<u>\$ 18,115</u>
Minimum pension liability	<u>\$ 689,260</u>	<u>\$ 412,176</u>

See independent accountant's report and notes to financial statements

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Roman Catholic Diocese of Lubbock, Texas, is committed to a mission to discover the presence of God and to sanctify the world by the proclamation of the Gospel of Jesus Christ in order to enable the most effective witnessing to the Gospel. A new process has begun in the diocese whereby all voices can be heard; especially those of the poor and anyone wounded by our contemporary society. We recognize that the voice of the people is, in a very special way, the call of the Spirit. We see a need for a process by which all the people of the diocese – priests, deacons, women religious and laity – can share their insights, strengths, and concerns.

In attempting to fulfill our mission, the diocese will listen to all people. In listening to one another, we come to realize the living-out of our mission will be done in unity, not in uniformity. Firmly believing the listening process we have begun in the Diocese of Lubbock is an ongoing process – and priorities will change in response to the signs of the times – we, the People of God, name these as our priorities in our commitment to build up the Body of Christ and carry out the mission of the Church, which is evangelization.

Catechesis

Through the teaching office of the Bishop of Lubbock, ministering to the diversity of our diocese: the diocese supports the parents/guardians as the first educators in the domestic Church; We provide resources to pastors and local faith communities; We accompany the people of God on their spiritual journey through multigenerational evangelization, catechesis, and formation.

Catholic Charities

The diocese is dedicated to providing services to the most vulnerable and most in need in our community: at risk families, the young, the elderly and immigrants.

Catholic Schools

The diocese offers a nurturing environment and a distinctive Catholic education that gives students the formation necessary to lead a full and active Christian life in a community permeated by the Spirit of Love.

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Communications

The Office of Communications for the Diocese of Lubbock assists the Bishop of Lubbock in his commitment to provide trustworthy information, well-founded inspiration, and a sense of Catholic identity to the parishioners of this local church. The communications office manages communications between the diocese and both the Catholic and secular communities on the Llano Estacado and Low Rolling Plains of West Texas. The office also provides various communications-related services for diocesan ministry departments. The diocesan communications board was formed in 1998 to advise the bishop and aid the communications office in providing these services.

Diaconate

To be an integral part, not a supplementary one, of the ministry of the Diocese of Lubbock and its institutions. The ministry of the permanent deacon represents in a sacramental manner the servant role of the church-at-large, and of the Diocese of Lubbock in particular, according to its multicultural and multilingual expressions. The permanent deacons will express their commitment to the "local church" and to the other pastoral ministers of the Diocese of Lubbock by collaborating in the common ministry and offering support in the exercise of their own ministry. A deacon in the Roman Catholic Diocese of Lubbock will serve at the will of the Bishop according to the pastoral needs of the Diocese. At his address to the permanent deacons of the United States ("The Heart of the Diaconate Servants of the Mysteries of Christ and Servants of Your Brothers and Sisters," Sept. 19, 1987), Pope John Paul II said the permanent deacon's ministry "is the Church's service sacramentalized... This is at the very heart of the diaconate to which you are called: to be a servant of the mysteries of Christ and, at one and the same time, to be a servant of your brothers and sisters." National Directory n. 287

Divine Worship

The ministry of Worship seeks to make liturgy the source of spiritual growth and development of the Church in the Diocese of Lubbock. It is the responsibility of the Office for Worship to assist the Bishop in his role as the principal liturgist of the Diocese. The Office for Worship fulfills this responsibility by addressing liturgical matters on the diocesan level and recommending policy, practice, and catechesis in the area of worship and sacramental life in cooperation with various diocesan departments. The Office provides guidance so that developmental steps may be taken to lead the faithful to a full, conscious, and active participation in the liturgical life of the Church.

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Marriage and Family Life

Through the teaching office of the Bishop of Lubbock, ministering to the diversity of our diocese: We support the parents/guardians as the first educators in the domestic Church; We provide resources to pastors and local faith communities; We accompany the people of God on their spiritual journey through multigenerational evangelization, catechesis, and formation.

Marriage Tribunal

In every Diocese, the Bishop leads his community by three munera related to the priestly, prophetic and kingly functions of Christ. We see these functions as relating to sanctifying, teaching, legislative and judicial aspects necessary to effectively lead and manage a Diocese. When questions or concerns arise in families about the Church, the first person many look to for answers is the Bishop, his Curia and other consultants.

Vocations and Seminarian Education

In the name of the Lord, in the name of the Church of Lubbock, the Office for Vocations will invite others to become friends of Jesus, and to listen to the words of the Church, to listen attentively to His word, and to live with Him. We invite young people, local people primarily, to leave behind their own narrow agendas in order to immerse themselves in the will of God. It is essential that every local Church (Diocese) become more sensitive and attentive to the pastoral care of vocations, helping children and young people in particular at every level of family, parish and associations - as Jesus did with his disciples. How to address all the structures of the Diocese: parishes, catechists, organizations, etc. For years, Spiritual Stewardship has been a solid teaching for our Catholic faithful — we can rely on it. Scriptural Stewardship reminds us of “First Fruits,” should be applied to every family for Vocations - priesthood and religious life. (Sir. 35:1-12). “The ability to foster vocations is a hallmark of the stability of a local Church.” (Pope Benedict XVI, May 2011)

The accompanying financial statements exclude the assets, liabilities, net assets, and financial activities of individual parishes, schools, and other entities which operate within the Diocese of Lubbock. Each is an operating entity distinct from the Diocese, which maintains separate financial records and coordinates its own services and programs. In addition, various religious orders, lay societies, and religious organizations which operate within the Diocese of Lubbock, but which are not fiscally responsible to the Bishop, have not been included in the accompanying financial statements. All significant inter-organizational balances and transactions have been eliminated to the extent that the respective net assets of those organizations are combined for purposes of the financial statement presentations.

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Affiliate

Effective July 1, 2006, the Diocese of Lubbock entered into a Trust agreement with the Dioceses of Amarillo, Tyler, and Corpus Christi to provide health insurance. The purpose of the Trust is to provide benefits and payments of the specified benefits expenses for the eligible Dioceses' employees. The Diocese and affiliate groups related to the Dioceses pay a monthly premium per eligible individual into the Trust. See footnote 17 for additional information.

Method of Accounting

The Diocese prepares its financial statements on the accrual basis of accounting where revenues are recognized when earned and expenditures when incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Net Assets

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets with Donor Restrictions – Net assets subject to donor or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Diocese of Lubbock - Central Administrative Office considers cash and certificates of deposit with an original maturity of three months or less to be cash equivalents. As of June 30, 2020, and 2019 the Diocese had cash equivalents of and \$111,361 and \$684,591, respectively.

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses and Doubtful Accounts

Accounts and loans receivable are evaluated by management throughout the year. The Diocese maintains allowances for doubtful accounts based on factors surrounding the credit risk of its accounts and loans receivable, historical trends, and other information. Credit losses, when realized, have been within the range of the Diocese's expectations and, historically, have not been significant. As of June 30, 2020, the Diocese had \$44,323 and no allowance as of June 30, 2019.

Investments

The Diocese accounts for investments under FASB ASC 958-320-50. Under this Standard, investments in marketable securities with readily determinable fair values are recorded at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities and Changes in Net Assets.

Building Contents, Equipment, and Vehicles - Plant Division

Building contents, equipment, and vehicles acquisitions are capitalized at cost, if purchased or at estimated fair market value at the date of gift, if donated. In the absence of original cost records, insurance appraisals have been used to establish cost. Fixed assets of \$15,000 or more are capitalized as property and equipment. Depreciation on building contents, equipment, and vehicles is provided by the straight-line method.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the account, and any resulting gain or loss is reflected in the revenues for the period. Expenditures which materially increase values or extend useful lives are capitalized. Routine maintenance, repairs, and replacement costs are charged to expenditures as incurred.

Support and Revenue Without Donors' Restrictions and With Donors' Restrictions

Contributions received are recorded as without donors' restrictions and with donors' resections' support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donors' restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donors' restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donors' restrictions are reclassified to net assets without donors' restrictions and reported in the Statement of activities as net assets released from restrictions.

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

For the years ended June 30, 2020 and 2019, balances of cash at financial banking institutions, which include certificate of deposits, exceeded the federally insured limit of \$250,000 by \$71,957 and \$448,718, respectively. The Diocese maintains cash balances in money market funds. Money market funds are not insured by the FDIC nor are they a deposit or other obligation of or guaranteed by a bank or other depository institution. Money market funds are subject to investment risks, including possible loss of the principal amount invested. Management regularly monitors the financial condition of the institution, along with the Diocese's balances in the money market funds and tries to keep this potential risk at a minimum.

The Diocese maintains accounts with a stock brokerage firm. The accounts contain cash and securities. Balances are insured up to \$500,000 (with a limit of \$250,000 for cash) by the Securities Investor Protection Corporation.

Income Taxes

The Diocese is a non-for-profit exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. The Diocese believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts. Accordingly, actual results could differ from those estimates.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events were evaluated through May 28, 2021, which is the date the financial statements were available to be issued. In December 2019, a novel strain of a coronavirus (SARS-CoV-2) was reported to have surfaced in China. On March 11, 2020, the World Health Organization declared a global pandemic of the novel coronavirus and the disease it causes, coronavirus disease 2019 (COVID-19). The spread of this virus has caused business disruptions to the Diocese. We are monitoring developments and following guidelines set by the Local, State and Federal Governments so we may continue to serve safely. However, the extent of the impact of the pandemic on the Diocese will depend on future developments, including the duration and spread of the outbreak and length and extent of guidance and requirements issued by governments; all of which are highly uncertain and cannot be predicated at the time.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following:

Cash and cash equivalents	\$ 1,330,547
Investments	1,746,321
Grants receivable	77,000
Accounts receivable	<u>179,571</u>
	<u>\$ 3,333,439</u>

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

3. INVESTMENTS

Investments are stated at fair value and consist of the following at June 30, 2020 and 2019:

	2020		
	Cost	Fair Market Value	Unrealized Appreciation (Depreciation)
Mutual Funds:			
Bonds and fixed income securities	\$ 544,873	\$ 580,817	\$ 35,944
Equities	672,153	898,800	226,647
Certificates of deposits	250,879	250,879	-
Other investments	15,816	15,816	-
Total investments	\$ 1,483,721	\$ 1,746,312	\$ 262,591

	2019		
	Cost	Fair Market Value	Unrealized Appreciation (Depreciation)
Mutual Funds:			
Bonds and fixed income securities	\$ 527,741	\$ 555,472	\$ 27,731
Equities	684,391	882,528	198,137
Certificates of Deposit	250,000	250,000	-
Other investments	50,100	50,100	-
Total investments	\$ 1,512,232	\$ 1,738,100	\$ 225,868

The following schedule summarizes the investment return and its classification in the Statement of Activities for the years ended June 30, 2020 and 2019:

	June 30,	
	2020	2019
Investment income	\$ 12,146	\$ 21,603
Realized and unrealized net income (loss)	\$ 47,071	\$ 116,485

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

4. FAIR VALUE OF FINANCIAL STATEMENTS

The Financial Accounting Standards Board has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020.

Cash and Investments - The carrying amounts reported in the balance sheets for cash and cash equivalents approximate its fair value.

The carrying amounts and fair values of the Diocese's financial instruments are as follows:

		2020	
		Carrying Amount	Fair Value Level 1
	Cash	\$ 1,330,547	\$ 1,330,547
	Investments	1,746,321	1,746,321
		2019	
		Carrying Amount	Fair Value Level 1
	Cash	\$ 1,046,888	\$ 1,046,888
	Investments	1,738,100	1,738,100

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5. GRANTS RECEIVABLE

Grants receivable as of June 30, consists of the following:

	<u>2020</u>	<u>2019</u>
Diocese of Lubbock (DOL) Foundation	\$ -	\$ 85,000
Kenedy Memorial Foundation	77,000	-
Other grants	<u>-</u>	<u>69,821</u>
Total grants receivable	<u>\$ 77,000</u>	<u>\$ 154,821</u>

6. ACCOUNTS RECEIVABLE, PARISHES AND AFFILIATED ENTITIES

Accounts receivable consist mainly of amounts due from the parishes and other religious entities to the Diocese for cathedraticum, insurance, accounting, and other assessments.

A summary of the accounts receivable, parishes, affiliated entities, and other and the related allowance for doubtful accounts at June 30, 2020 and 2019, as follows:

	<u>2020</u>	<u>2019</u>
Assessment to parished and affiliated entities		
Cathedraticum	\$ 132,901	\$ 104,378
Prior years DCA	56,471	57,010
Past due property insurance	-	16,088
Priest Pension	8,762	-
Tribunal	10,434	12,150
Other	<u>15,326</u>	<u>16,373</u>
Total	223,894	205,999
Less allowance for doubtful accounts	<u>(44,323)</u>	<u>-</u>
Accounts receivable, parishes and affiliated entities, net	<u>179,571</u>	<u>205,999</u>

7. LOANS RECEIVABLE AND DEPOSITS PAYABLE

The Deposit and Loan Division receives deposits from parishes and pays interest on these deposits at the rate of .75%, compounding daily. The funds from these deposits are loaned to other parishes at an average simple annual rate of 3.5% or are invested in certificates of deposits and are due over various periods ranging from less than one year to five (5) years. The Central Administrative Office controls these funds and is liable for any fund deficits.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

7. LOANS RECEIVABLE AND DEPOSITS PAYABLE (Continued)

	2020	2019
<u>Loans receivable</u>		
Loans receivable at year end due in monthly installments, net	\$ 256,243	\$ 318,811
<u>Deposits Payable</u>		
Deposits payable to parishes, due on demand	\$ 1,459,750	\$ 1,486,744
Insurance Reserve	\$ 73,313	\$ 73,313

Future principal payments to be received are as follows:

Year Ended June 30,	Amount
2021	\$ 42,275
2022	39,093
2023	37,638
2024	30,401
2025	24,715
2026-2030	56,543
2031-2035	25,578
Total	\$ 256,243

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NOTES TO FINANCIAL STATEMENTS
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8. LAND, BUILDINGS, AND EQUIPMENT

The composition of land, buildings, and equipment at June 30, 2020 and 2019, is as follows:

	<u>Depreciable lives</u>	<u>2020</u>	<u>2019</u>
Land		\$ 2,084,013	\$ 2,084,013
Buildings and improvements	50 years	3,221,962	2,348,621
Equipment	3-10 years	344,342	344,342
Furniture	5-10 years	107,943	107,943
Automotive	7 years	99,509	99,509
Software	5 years	132,216	87,142
Leasehold improvements	5 years	<u>1,886</u>	<u>1,886</u>
Total		5,991,871	5,073,456
Less: Accumulated depreciation		<u>(986,597)</u>	<u>(1,179,757)</u>
Land, buildings, and equipment, net		<u>\$ 5,005,274</u>	<u>\$ 3,893,699</u>

Depreciation expense at June 30 totaled \$100,853 and \$78,388 in 2020 and 2019, respectively.

9. LEASES

The Diocese has noncancelable operating leases for a mailing system machine and copier. Rental expense for leases consisted of \$28,687 and \$20,043 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments under the operating lease for the remaining terms as of June 30, 2020, are:

<u>Year Ended June 30,</u>	<u>Amount</u>
2021	\$ 13,492
2022	13,492
2023	13,492
2024	10,867
Thereafter	<u>6,006</u>
Future minimum lease payments	<u>\$ 57,349</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

10. PENSION PLAN

The Diocese of Lubbock has a defined benefit pension plan covering any incardinated priests. The benefits are equal to a \$1,400 monthly annuity payable for life. The Diocese' funding policy is to contribute annually the amount to amortize the unfunded liability under 30 years.

The following table sets forth the plan's funded status at June 30, 2020 and 2019 (This represents a combination of the Actuary's Present Value of Future benefits compared to actual balance of assets available as of balance sheet date.):

	<u>2020</u>	<u>2019</u>
Present Value of Accumulated Benefits (as of June 30, 2020 and 2019)	\$ 3,825,057	\$ 3,607,499
Fair value of plan assets (as of June 30, 2020 and 2019)	<u>3,135,797</u>	<u>3,195,323</u>
Unfunded status of plan	\$ 689,260	\$ 412,176
Benefits paid	\$ 307,940 ^N	\$ 298,460

These amounts are included in the statement of financial position and the statement of activities for the subsequent reported years of 2020 and 2019.

The expected long-term rate of return on plan assets was 7.50% during 2020 and 2019.

The Diocese contributed \$156,466 and \$137,224, to the defined benefit pension plan in 2020 and 2019, respectively.

Total benefits paid to participants in 2020 and 2019 were \$307,940 and \$298,460, respectively.

The Diocese also provides its lay employees with a defined contribution 403(b) retirement plan (the Plan). The Diocese contributed \$32,697 and \$28,638, to the Qualified Retirement Plan during 2020 and 2019, respectively.

11. LINE OF CREDIT

The Diocese has a line of credit of \$1,000,000 with an interest rate based upon the bank's index rate which as of June 30, 2020 was 5%. As of June 30, 2020, and 2019, the Diocese had an outstanding balance of \$692,822 and \$679,469, respectively.

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NOTES TO FINANCIAL STATEMENTS
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12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
Net assets with donor restrictions		
Time restriction	<u>\$ 77,000</u>	<u>\$ 154,821</u>

13. FUNCTIONAL CLASSIFICATION OF EXPENSES

The Diocese's primary program activities are compromised of pastoral, ministry, gifting and management and general. Certain costs including depreciation expense, utilities, building maintenance, security, building operations and benefit costs are allocated using allocation techniques. Other supporting services that provide general oversight such as executive offices, finance and accounting, human resources administration, information technology, building services, and general counsel are included in management/administrative and are not allocated. Information technology and building services costs such as equipment maintenance agreements and software licenses are charged directly to the programs and are not part of administrative overhead.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

13. FUNCTIONAL CLASSIFICATION OF EXPENSES (Continued)

The following table presents functional classification of expenses for June 30, 2020:

	2020					
	Pastoral	Ministry	Gifting	Total Program/ Ministries	Management/ Administrative	Total
Salaries, taxes and benefits	\$ 303,887	\$ 284,989	\$ -	\$ 588,876	\$ 1,042,510	\$ 1,631,386
Travel and meetings	156,528	22,092	753	179,373	95,244	274,617
Professional and contract services	15,268	61,422	6,511	83,201	323,760	406,961
Supplies and printing	72,927	21,061	811	94,799	190,574	285,373
Operational and program services	<u>121,547</u>	<u>295,132</u>	<u>534,065</u>	<u>950,744</u>	<u>832,146</u>	<u>1,782,890</u>
Total operating expense	<u>\$ 670,157</u>	<u>\$ 684,696</u>	<u>\$ 542,140</u>	<u>\$ 1,896,993</u>	<u>\$ 2,484,234</u>	<u>\$ 4,381,227</u>
	2019					
Salaries, taxes and benefits	\$ 360,672	\$ 309,559	\$ -	\$ 670,231	\$ 900,608	\$ 1,570,839
Travel and meetings	141,849	27,948	289	170,086	107,565	277,651
Professional and contract services	21,222	54,658	1,401	77,281	268,974	346,255
Supplies and printing	67,672	12,606	343	80,621	182,412	263,033
Operational and program services	<u>208,573</u>	<u>243,841</u>	<u>629,757</u>	<u>1,082,171</u>	<u>869,639</u>	<u>1,951,810</u>
Total operating expense	<u>\$ 799,988</u>	<u>\$ 648,612</u>	<u>\$ 631,790</u>	<u>\$ 2,080,390</u>	<u>\$ 2,329,198</u>	<u>\$ 4,409,588</u>

14. CONTINGENCIES

During the normal course of business, the Diocese is subject to various legal claims which the Diocese is defending its position.

As of June 30, 2020, The Central Administrative Office is contingently liable for all loans incurred by any parishes under its jurisdiction when the Bishop is guarantor on such debt.

The Diocese is guarantor on a loan in the name of Christ the King Cathedral in the amount of \$35,336.

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NOTES TO FINANCIAL STATEMENTS
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14. CONTINGENCIES (Continued)

The Diocese is guarantor on a loan in the name of St. Anthony's, Catholic Church, Brownfield, in the approximate amount of \$355,111.

The Diocese is guarantor on a loan in the name of St. John Neumann in the approximate amount of \$1,265,245.

The Diocese is guarantor on a loan in the name of Our Lady of Guadalupe, Lubbock, in the approximate amount of \$62,028.

The Diocese is guarantor on a loan in the name of Our Lady of Grace in the approximate amount of \$1,082,112.

The Diocese is guarantor on a loan in the name of Our Lady of Grace in the approximate amount of \$323,224.

The Diocese is guarantor on a loan in the name of St. Elizabeth University Parish in the amount of \$690,146.

The Diocese is guarantor on a loan in the name of St. Elizabeth University Parish in the approximate amount of \$65,347.

The Diocese is guarantor on a loan in the name of Holy Spirit Catholic Church in the approximate amount of \$2,884,147.

The Diocese is guarantor on a loan in the name of St. Michael Catholic Church, Levelland, in the approximate amount of \$40,674.

The Diocese is guarantor on a loan in the name of St. John the Baptist, Lubbock, in the approximate amount of \$2,135,027.

15. THE JOHN SALEH CHARITABLE FOUNDATION IREVOCABLE TRUST

The Diocese of Lubbock is beneficiary of the proceeds from the trust set up through the estate of John Saleh. The trust has a mandatory distribution to the Diocese or at the Bishop's discretion for a direct donation to organizations which qualify as religious and charitable. The distribution is required annually.

In accordance with the trust agreement, a distribution of \$1,022,105 and of \$1,259,947 was received in 2020 and 2019, respectively. The distribution is recorded in the statement of activities in the gifts.

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NOTES TO FINANCIAL STATEMENTS
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16. HEALTH CARE COVERAGE

During the year ended June 30, 2020, employees of the Diocese were covered by the Diocese's medical self-insurance plan (the Plan). The Plan is management by an irrevocable trust, Catholic Employee Benefit Group (the Trust), created by four Diocese, including the Diocese of Lubbock, in the state of Texas. The Trust was established to provide benefits for eligible employees and for payment of specified benefits expenses. Since the plan is an irrevocable trust, no investment is recorded on these financial statements.

Upon termination of the Trust, the trustee should hold the Trust Fund until it is completely exhausted by paying benefits provided under the Plan and paying the reasonable expenses of the Trust, including expenses involved in the termination of the Trust. At June 30, 2020, the segment of the Trust corresponding to the Diocese of Lubbock had total assets of \$888,723, total net assets of \$760,440, total revenue of \$1,748,101 and total expenditures of \$1,512,657.

The administrative contract between the Diocese and the third-party administrator is renewable every 3 years. Administrative fees and stop-loss premiums are included in the contractual provisions with separate entities.

In accordance with state statute, the Diocese is protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage. Stop-loss coverage is in effect for individual claims.

There is an aggregate stop-loss amount in excess of \$150,000 in any given year. The liabilities of the medical self-insurance plans include incurred but not reported claims.

These liabilities reported at June 30, 2020 are based on the requirements of Governmental Accounting Standards Board No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonable estimated. These liabilities include an amount for claims that have been incurred but not reported.

Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Health care coverage liabilities for incurred losses to be settled by fixed or reasonably determined payments over a long period of time were computed using 15% to 20% of the average of historical claims paid over the premium.

At June 30, 2020 and 2019, funds reserved for health care plan amounted to \$73,313.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

17. PROPERTY INSURANCE COVERAGE

The Diocese has a property insurance deductible of \$50,000 per occurrence not per parish. Parishes have a deductible of \$3,500 and 2% of the appraised value of the building for wind/hail. Claims are paid by the excess deposits made from insurance premiums by the insurance company who in turn maintains, reconciles and controls these claims in an escrow account. The claims escrow account is not reflected on the financial statements of the Diocese.

Historically, the reserve has been adequate to fund claims. The deductibles are factored in when claims are paid.

18. CATHOLIC FOUNDATION OF THE DIOCESE OF LUBBOCK

Catholic Foundation of the Diocese of Lubbock (the Foundation) is a separate corporation, related to the Diocese through common control, organized for the purpose of the accumulation, investment, and management of funds which will make distributions periodically to support operations of the Diocese.

The Foundation's financial position and results of operations have not been included in the financial statements of the Diocese.

Selected financial information of the Foundation as of June 30, 2020 and 2019, and for the years then ended, is as follows:

	2020 (audited)	2019 (audited)
Total assets	<u>\$ 3,018,750</u>	<u>\$ 3,149,223</u>
Net assets	<u>\$ 3,016,916</u>	<u>\$ 3,108,503</u>
Total revenue	<u>\$ 177,147</u>	<u>\$ 214,183</u>
Increase (decrease) in net assets	<u>\$ (91,587)</u>	<u>\$ 16,222</u>

DIOCESE OF LUBBOCK
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NOTES TO FINANCIAL STATEMENTS
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19. PARISHES AND SCHOOLS

Parishes and Schools are related to the Diocese through common control. The Parishes and Schools participate in the self-insurance plan with the Diocese for casualty, workers' compensation, and liability coverage. The Diocese also provides accounting services to the Parishes and Schools for which the Diocese assesses cathedraticum.

The Statements of Financial Position as of June 30, 2020 and 2019, has a receivable of \$189,372 and \$161,388, respectively for the various services identified in note 6.

The Parishes and Schools maintain funds with the Diocese, on which the Diocese paid .75% compounded daily. Interest rates are reviewed regularly.

The balance in the deposits payable as of June 30, 2020 and 2019, is \$1,459,750 and \$1,486,744, respectively.

The Diocese has provided certain Parishes with loans for the purpose of capital expansion. Amounts due to the Diocese at June 30, 2020 and 2019, respectively, was \$256,243 and \$318,811, and are included in loans receivable.

During 2020 and 2019, the Parishes and Schools' assessment for the DCA/Cathedraticum was \$1,792,824 and \$1,526,312, respectively.