



**Administrative and Program Offices  
of the Roman Catholic Diocese  
of San Angelo**

Financial Statements  
Years Ended June 30, 2016 and 2015

**Administrative and Program Offices of the  
Roman Catholic Diocese of San Angelo**

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Financial Statements  
Years Ended June 30, 2016 and 2015

# Administrative and Program Offices of the Roman Catholic Diocese of San Angelo

## Contents

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Independent Auditor's Report	1 - 2
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	
Year Ended June 30, 2016	4
Year Ended June 30, 2015 (Restated)	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 28



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## Independent Auditor's Report

Most Reverend Michael J. Sis  
Bishop of the Roman Catholic Diocese of San Angelo  
San Angelo, Texas

We have audited the accompanying financial statements of the Administrative and Program Offices of the Roman Catholic Diocese of San Angelo (the Diocese) which comprise the statements of financial position as of June 30, 2016 and 2015 (restated), the related statements of activities and changes in net assets, 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 those financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 the Diocese as of June 30, 2016 and 2015 (restated), and the results of its operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*Emphasis of Matter*

As discussed in Note 13 to the financial statements, the 2015 financial statements have been restated to correct a misstatement related to the presentation of the balances of the Calvary Cemetery and recording of the priests' post-retirement benefit obligation. Our opinion is not modified with respect to this matter.

BDO USA, LLP

December 21, 2016

## Financial Statements

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**Administrative and Program Offices of the  
Roman Catholic Diocese of San Angelo**

**Statements of Financial Position**

<i>June 30,</i>	2016	2015 (Restated)
<b>Assets</b>		
Cash and cash equivalents	\$ 2,382,342	\$ 216,242
Accounts receivable	848,038	1,000,975
Grants receivable	82,500	115,000
Other prepaid assets	23,336	853,344
Parish notes receivable	1,007,914	981,928
Investments	17,226,678	16,940,848
Property and equipment, net	1,693,325	1,649,760
<b>Total Assets</b>	<b>\$ 23,264,133</b>	<b>\$ 21,758,097</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 254,892	\$ 703,779
Accrued pension plan liabilities	3,362,888	3,528,949
Accrued post-retirement benefit liabilities	2,168,160	2,016,830
Parish collections for designated purposes	196,888	68,980
Parish savings deposits	14,420,907	13,543,819
<b>Total Liabilities</b>	<b>20,403,735</b>	<b>19,862,357</b>
<b>Net Assets</b>		
Unrestricted	332,891	(690,100)
Temporarily restricted	474,549	560,158
Permanently restricted	2,052,958	2,025,682
<b>Total Net Assets</b>	<b>2,860,398</b>	<b>1,895,740</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 23,264,133</b>	<b>\$ 21,758,097</b>

*The accompanying notes are an integral part of these financial statements.*

**Administrative and Program Offices of the  
Roman Catholic Diocese of San Angelo**

**Statement of Activities and Changes in Net Assets**

<i>Year ended June 30, 2016</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue, Gains, and Other Support</b>				
Contributions	\$ 559,412	\$ 23,638	\$ 27,276	\$ 610,326
Parish assessments	3,095,783	-	-	3,095,783
Grants	14,506	586,866	-	601,372
Interest and dividends	238,317	56,573	-	294,890
Other income and fees	1,297,222	19,205	-	1,316,427
Insurance premiums	30,945	-	-	30,945
Miscellaneous revenue	47,695	10,087	-	57,782
Realized/unrealized loss on investments	(29,229)	(28,428)	-	(57,657)
Amounts released from restriction	753,550	(753,550)	-	-
<b>Total Revenue, Gains, and Other Support</b>	<b>6,008,201</b>	<b>(85,609)</b>	<b>27,276</b>	<b>5,949,868</b>
<b>Expenses</b>				
Program	4,097,157	-	-	4,097,157
General and administrative	1,657,087	-	-	1,657,087
<b>Total Expenses</b>	<b>5,754,244</b>	<b>-</b>	<b>-</b>	<b>5,754,244</b>
Change in net assets before pension- related changes other than net periodic pension costs	253,957	(85,609)	27,276	195,624
Pension-related changes other than net periodic pension costs	769,034	-	-	769,034
Change in Net Assets	1,022,991	(85,609)	27,276	964,658
<b>Net Assets, beginning of year</b>	<b>(690,100)</b>	<b>560,158</b>	<b>2,025,682</b>	<b>1,895,740</b>
<b>Net Assets, end of year</b>	<b>\$ 332,891</b>	<b>\$ 474,549</b>	<b>\$ 2,052,958</b>	<b>\$ 2,860,398</b>

*The accompanying notes are an integral part of these financial statements.*

**Administrative and Program Offices of the  
Roman Catholic Diocese of San Angelo**

**Statement of Activities and Changes in Net Assets (Restated)**

<i>Year ended June 30, 2015 - Restated</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue, Gains, and Other Support</b>				
Contributions	\$ 456,674	\$ 8,972	\$ 47,057	\$ 512,703
Parish assessments	3,363,030	-	-	3,363,030
Grants	12,290	243,678	-	255,968
Interest and dividends	104,781	58,582	-	163,363
Other income and fees	1,219,484	18,925	-	1,238,409
Insurance premiums	30,347	-	-	30,347
Miscellaneous revenue	21,638	2,869	-	24,507
Realized/unrealized loss on investments	(9,564)	(28,866)	-	(38,430)
Amounts released from restriction	439,904	(439,904)	-	-
<b>Total Revenue, Gains, and Other Support</b>	<b>5,638,584</b>	<b>(135,744)</b>	<b>47,057</b>	<b>5,399,723</b>
<b>Expenses</b>				
Program	4,237,539	-	-	4,237,539
General and administrative	1,488,452	-	-	1,488,452
<b>Total Expenses</b>	<b>5,725,991</b>	<b>-</b>	<b>-</b>	<b>5,725,991</b>
Change in net assets before pension- related changes other than net periodic pension costs	(87,407)	(135,744)	47,057	(176,094)
Pension-related changes other than net periodic pension costs	(226,457)	-	-	(226,457)
Change in Net Assets - Restated	(313,864)	(135,744)	47,057	(402,551)
<b>Net Assets, beginning of year - Restated</b>	<b>(376,236)</b>	<b>695,902</b>	<b>1,978,625</b>	<b>2,298,291</b>
<b>Net Assets, end of year</b>	<b>\$ (690,100)</b>	<b>\$ 560,158</b>	<b>\$ 2,025,682</b>	<b>\$ 1,895,740</b>

*The accompanying notes are an integral part of these financial statements.*

**Administrative and Program Offices of the  
Roman Catholic Diocese of San Angelo**

**Statements of Cash Flows**

<i>Years ended June 30,</i>	2016	2015 (Restated)
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 964,658	\$ (402,551)
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities</b>		
Depreciation	139,878	133,160
Pension-related changes other than net periodic pension costs	(769,034)	226,457
Realized/unrealized loss on investments	57,657	38,430
Change in operating assets and liabilities:		
Accounts receivable	152,937	253,658
Grants receivable	32,500	67,500
Other prepaid assets	830,008	(777,278)
Accounts payable and accrued liabilities	(448,887)	(25,662)
Accrued pension plan liabilities	602,973	523,211
Accrued post-retirement benefits liabilities	151,330	145,093
Parish collections for designated purposes	127,908	23
<b>Net Cash Provided by Operating Activities</b>	<b>1,841,928</b>	<b>182,041</b>
<b>Cash Flows from Investing Activities</b>		
Principal payments received on parish notes receivable	134,323	155,625
Loans made to parishes	(160,309)	(209,590)
Proceeds from sales and maturity of investments	1,619,451	5,794,612
Purchases of investments	(1,962,938)	(8,849,089)
Purchases of property and equipment	(183,443)	(15,875)
<b>Net Cash (Used in) Investing Activities</b>	<b>(552,916)</b>	<b>(3,124,317)</b>
<b>Cash Flows from Financing Activities</b>		
Net increase in parish savings deposits	877,088	2,459,625
<b>Net Cash Provided by Financing Activities</b>	<b>877,088</b>	<b>2,459,625</b>
Net Increase (Decrease) in Cash and Cash Equivalents	2,166,100	(482,651)
Cash and Cash Equivalents, beginning of year	216,242	698,893
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 2,382,342</b>	<b>\$ 216,242</b>
<b>Supplemental Data</b>		
Cash paid during year for interest	\$ 123,232	\$ 81,177

*The accompanying notes are an integral part of these financial statements.*

# Administrative and Program Offices of the Roman Catholic Diocese of San Angelo

## Notes to Financial Statements

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### 1. Organization

The Administrative and Program Offices of the Roman Catholic Diocese of San Angelo (the Diocese) provides planning and direction in the administration of pastoral, vocational, educational, and other services to its parishes and other diocesan institutions. The Diocese also provides financing, investing, and other advisory services to the organizations of the Diocese. The Diocese is an ecclesiastical territory, which encompasses 29 counties in west and central Texas. Title to all parish, church, and other properties in the Diocese is held in the name of the Bishop and his successors. Certain properties are held for the benefit of the Diocese, and others are held for the benefit of the individual parishes, churches, missions, chapels, the cemetery, other diocesan organizations, and certain charitable trusts. The Bishop has ecclesiastical responsibility over approximately 66 parishes and missions, and a number of other institutions such as grade schools, cemeteries, and other charitable organizations.

### 2. Summary of Significant Accounting Policies

#### *Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The accompanying financial statements do not include the diocesan parishes, schools, churches, missions, chapels, and other similar organizations. Only the administrative and program offices of the Diocese are included in the financial statements.

#### *Display of Net Assets by Class*

The Diocese maintains its accounts in accordance with the principles of fund accounting. Resources for various purposes are classified into various funds in accordance with activities or restrictions specified by donors. Separate accounting is maintained for each fund. For reporting purposes, the Diocese classifies net assets into three categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Diocese and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that represent resources available for support of the Diocese operations and for charitable purposes that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets that represent available resources subject to donor-imposed restrictions that may or will be met either by actions of the Diocese and/or the passage of time. These include special collections and grants among others such as the Disaster Fund.

Permanently Restricted Net Assets - Net assets that represent funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and only the income be used. Permanently restricted net assets include endowment contributions for the Seminary Burse Endowment Fund.

**Administrative and Program Offices of the  
Roman Catholic Diocese of San Angelo**

**Notes to Financial Statements**

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**2. Summary of Significant Accounting Policies (Continued)**

*Cash Equivalents*

Cash equivalents consist of commercial paper and other short-term, highly liquid investments including United States Treasury notes and government-backed securities with an original maturity of 90 days or less, and are carried at fair value.

*Receivables*

Accounts receivable consist mainly of various billings to churches and related organizations for reimbursable items paid on their behalf by the Diocese. Grants receivable represents amounts owed to the Diocese for contributions and grants received from various sources. Parish notes receivables are stated at unpaid principal balances. Receivables are individually analyzed for purposes of determining collectability at year-end and to ascertain if an allowance for doubtful accounts is required. Receivables are considered delinquent when they are 30 days or more past due. The Diocese determines when to charge off receivables on a case-by-case basis. At June 30, 2016 and 2015, no allowances were considered necessary.

*Investments*

Investments consist of certificates of deposit, Seminary Burse Endowment Fund and Calvary Cemetery Fund and are carried at estimated fair value based on quoted market prices. All dividends, interest, gains, losses, and other investment income are reported in the statements of activities and changes in net assets as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations.

The Seminary Burse Endowment Fund and Calvary Cemetery Fund Investments are being held by the Catholic Charitable Foundation for the Roman Catholic Diocese of San Angelo (the Foundation) (see Note 11) for the Diocese in an agency account for investment purposes.

*Property and Equipment*

Property and equipment acquisitions are capitalized at cost when purchased, or at fair value at the date of gift when donated. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of assets, which range from 5 to 40 years (see Note 5).

*Revenue Recognition*

Contributions and bequests, including unconditional promises to give, are recognized as revenue in the period that the unconditional promise is received. Promises to give that are scheduled to be received after the statement of financial position date are shown as increases in temporarily restricted net assets, and are reclassified to unrestricted net assets when the time restriction is met. Unconditional promises to give with donor-imposed purpose or time restrictions are shown as increases in temporarily restricted net assets, and are reclassified to unrestricted net assets when the restriction is met. Conditional promises to give are not recorded until the conditions on which they depend are met. Contributions of assets, other than cash, are recorded at their estimated fair value.

**Administrative and Program Offices of the  
Roman Catholic Diocese of San Angelo**

**Notes to Financial Statements**

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**2. Summary of Significant Accounting Policies (Continued)**

*Revenue Recognition*

Parish Assessments includes the parishes' contribution to the operations of the Diocese and are calculated at an agreed rate multiplied by the parishes' revenue, net of allowable deductions. The agreed rate at June 30, 2016 and 2015 is 16%.

Dividends, interest, and net gains on investments of permanently restricted net assets are reported as increases in temporarily restricted net assets since the terms of these gifts impose restrictions on the income and net gains. All other investment income is recorded as unrestricted net assets.

Other income and fees are recorded when earned. Other income and fees includes cemetery space sales, insurance proceeds, food and beverage and rental income.

*Income Taxes*

The Diocese is listed in the 2016 Official Catholic Directory and, therefore, continues to be exempt from federal unemployment tax and federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Current accounting standards require that entities recognize any uncertain tax positions that are more-likely-than-not to be sustained upon examination. Management of the Diocese believes it has no material uncertain tax positions and, accordingly, it has not recognized any related liability.

Tax years 2015-2013 remain open to examination by the taxing jurisdictions to which the Diocese is subject, and these periods have not been extended beyond the applicable statute of limitations.

*Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Accounting Pronouncements Issued but Not Yet Adopted*

**Revenue from Contracts with Customers (Topic 606)**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for the Diocese until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

**Administrative and Program Offices of the  
Roman Catholic Diocese of San Angelo**

**Notes to Financial Statements**

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**2. Summary of Significant Accounting Policies (Continued)**

**Fair Value (Topic 820), Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Equivalent)**

In May 2015, FASB issued ASU 2015-07, *Fair Value (Topic 820), Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Equivalent)*, which allows for those entities that have elected the practical expedient to use the net asset value (NAV) as a measure of fair value and to no longer categorize these investments within the fair value hierarchy. The practical expedient criteria differ from the criteria used to categorize other fair value measurements within the hierarchy. A reporting entity should continue to disclose information on investments for which fair value is measured at NAV (or its equivalent) as a practical expedient to help users understand the nature and risks of the investments and whether the investments, if sold, are probable of being sold at amounts different from NAV. The ASU is effective for the Diocese's fiscal years beginning after December 15, 2016, with early application permitted and should be applied retrospectively. The retrospective approach requires that an investment for which fair value is measured using the NAV practical expedient be removed from the fair value hierarchy in all periods presented in an entity's financial statements. Management is currently evaluating the impact of this ASU on its financial statements.

**Leases (Topic 842)**

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Diocese's fiscal years beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

**Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities**

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external

**Administrative and Program Offices of the  
Roman Catholic Diocese of San Angelo**

**Notes to Financial Statements**

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**2. Summary of Significant Accounting Policies (Continued)**

**Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities (continued)**

and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Diocese's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on their financial statements.

**3. Concentration of Credit Risk**

*Financial Institutions*

The Diocese maintains multiple bank accounts in San Angelo, Texas. All of a depositor's accounts at an insured depository institution, including all non-interest-bearing transaction accounts, are insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard maximum deposit insurance amount of \$250,000 for each deposit insurance ownership category. At various times throughout the year, certain cash balances at the financial institutions exceeded these limits. The Diocese cash balances at June 30, 2016 and 2015 were fully insured or collateralized with securities held by the Diocese's agent in the Diocese's name.

*Parish Notes Receivable*

Substantially all of the notes receivable are with parishes or other related organizations (see Note 4). All of the notes are unsecured. The notes are expected to be repaid from cash flows, contributions from parishioners, or proceeds of selected assets of the parishes or other related organizations.

**4. Parish Notes Receivable**

Notes to parishes are for parish development and are generally unsecured since the titles to all parish properties are held in the name of the Bishop and his successors, for the benefit of the parishes. The per annum interest rates on substantially all notes at June 30, 2016 and 2015 were 2.29% and 2.39%, respectively. Notes are typically due within 15 years of the date of the note and require the balance, plus interest, to be repaid ratably over that period. Interest earned on notes receivable for the years ended June 30, 2016 and 2015 was approximately \$22,798 and \$22,838, respectively. The carrying value of notes receivable approximates fair value.

**Administrative and Program Offices of the  
Roman Catholic Diocese of San Angelo**

**Notes to Financial Statements**

**4. Parish Notes Receivable (Continued)**

The aggregate maturities of notes receivable for each of the five years subsequent to June 30, 2016 and thereafter are as follows:

2017	\$	101,712
2018		89,146
2019		91,400
2020		90,412
2021		78,786
Thereafter		556,458
<b>Total Parish Notes Receivable</b>		<b>\$ 1,007,914</b>

**5. Property and Equipment**

At June 30, property and equipment consisted of the following:

	2016	2015
Land and improvements	\$ 936,135	\$ 936,135
Buildings and improvements	4,383,455	4,234,153
Furniture and equipment	1,162,105	1,142,916
Automobiles and trucks	148,555	133,603
	<b>6,630,250</b>	<b>6,446,807</b>
Less: Accumulated depreciation	<b>(4,936,925)</b>	<b>(4,797,047)</b>
	<b>\$ 1,693,325</b>	<b>\$ 1,649,760</b>

Depreciation expense amounted to \$139,878 and \$133,160 for the years ended June 30, 2016 and 2015, respectively.

# Administrative and Program Offices of the Roman Catholic Diocese of San Angelo

## Notes to Financial Statements

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### 6. Fair Value of Financial Instruments

FASB Accounting Standards Codification (ASC) 820: *Fair Value Measurement*, establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as the Diocese would use in pricing the Diocese's assets or liabilities based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Diocese are traded.

Under the Fair Value Measurements and Disclosures topic of ASC 820, disclosures are required about how fair value is determined for assets and liabilities, and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

- Level 1 - Inputs that utilize quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs that include quoted prices in active markets for similar assets and liabilities, and inputs that are observable for the asset or liability.
- Level 3 - Inputs that are unobservable inputs for the asset or liability, such as discounted cash flow models or valuations.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value:

- ***Certificates of deposit*** - The Diocese's certificates of deposit consist of fixed income investments whose quoted prices are available on the open market. The Diocese estimated fair value for these investments based on Level 1 inputs.
- ***Seminary Burse Endowment Fund and Calvary Cemetery Fund - held by the Foundation*** - The fair values of investments owned by the Diocese held by the Foundation are based on the underlying investments made by the Foundation as determined by quoted market prices at the end of the year. Investment income from these investments reflects earnings of the respective underlying funds, including investment income and investment return of the fair value of the investments.

**Administrative and Program Offices of the  
Roman Catholic Diocese of San Angelo**

**Notes to Financial Statements**

**6. Fair Value of Financial Instruments (Continued)**

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

<i>2016</i>	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Fair Value
Certificates of deposit	\$14,204,286	\$ -	\$ -	\$14,204,286
Seminary Burse				
Endowment Fund -				
held by the Foundation	-	2,255,167	-	2,255,167
Calvary Cemetery Fund -				
held by the Foundation	-	767,225	-	767,225
<b>Total Assets</b>	<b>\$14,204,286</b>	<b>\$ 3,022,392</b>	<b>\$ -</b>	<b>\$17,226,678</b>

<i>2015 (As Restated)</i>	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Fair Value
Certificates of deposit	\$ 13,850,038	\$ -	\$ -	\$ 13,850,038
Seminary Burse				
Endowment Fund -				
held by the Foundation	-	2,329,121	-	2,329,121
Calvary Cemetery Fund -				
held by the Foundation	-	761,689	-	761,689
<b>Total Assets</b>	<b>\$ 13,850,038</b>	<b>\$ 3,090,810</b>	<b>\$ -</b>	<b>\$ 16,940,848</b>

**Administrative and Program Offices of the  
Roman Catholic Diocese of San Angelo**

**Notes to Financial Statements**

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**7. Pension Plan**

The Diocese has a defined benefit pension plan (the Plan) covering all diocesan priests. Benefits under the Plan are based on years of service, age, and compensation. The Plan's assets are separately maintained by an independent third party, and are not part of the accompanying financial statements. Additionally, the Diocese recognizes pension expense only for certain priests. The remaining expense is allocated to, and reimbursed by, parishes.

Contributions made and benefits paid are in accordance with Plan provisions. During 2016 and 2015, regular monthly benefits of \$1,500 for both years, were provided to each eligible retiree.

	2016	2015
Obligations and Funded Status:		
Benefit obligation	\$ (6,995,725)	\$ (7,013,420)
Plan assets at fair value	3,632,837	3,489,185
Funded Status (Under-Funded)	\$ (3,362,888)	\$ (3,524,235)
Accumulated benefit obligation	\$ 6,237,374	\$ 6,252,188
Employer contributions	355,179	247,022
Benefits paid	\$ (222,063)	\$ (230,600)
Amounts recognized in the Statements of Financial Position consisted of accrued pension plan liabilities	\$ (3,362,888)	\$ (3,528,949)
Amounts recognized in the Statements of Activities consisted of prior service cost (included in General and Administrative Expenses)	\$ (607,687)	\$ (519,345)

**Administrative and Program Offices of the  
Roman Catholic Diocese of San Angelo**

**Notes to Financial Statements**

**7. Pension Plan (Continued)**

	2016	2015
Amounts Recognized in the Statements of Activities consisted of components of net periodic pension costs		
Cost Components:		
Service cost	\$ 209,082	\$ 161,017
Interest cost	293,326	261,789
Actual return on plan assets	(110,326)	(117,051)
Net Amortization and Deferral:		
Amortization of unrecognized prior service cost	138,592	160,121
Amortization of net (gain)/loss	(77,863)	57,333
Amortization of initial unrecognized net asset	(850)	(3,864)
<hr/>		
Net Periodic Pension Cost (included in Statements of Activities)	\$ 607,687	\$ 519,345
<hr/>		
Related Changes Other than Net Periodic Pension Cost:		
Prior service cost	\$ 138,592	\$ 160,121
Net gain (loss)	631,292	(382,714)
Transition obligation	(850)	(3,864)
<hr/>		
	\$ 769,034	\$ (226,457)
<hr/>		
Other Changes in Plan Assets and Benefit Obligations - Recognized Changes in Unrestricted Net Assets - Net loss	\$ 110,326	\$ 117,051
<hr/>		
Total Recognized in Net Periodic Pension Cost and Unrestricted Net Assets	\$ 110,326	\$ 117,051

The following assumptions were used in accounting for the Plan:

Weighted-average assumptions used to determine net periodic benefit cost for years ended June 30:

	2016	2015
Discount rate	4.25%	4.25%
Expected return on Plan assets	3.00%	3.00%
Rate of compensation increase	2.75%	2.75%

# Administrative and Program Offices of the Roman Catholic Diocese of San Angelo

## Notes to Financial Statements

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### 7. Pension Plan (Continued)

To develop the expected long-term rate of return on pension plan assets assumption, the actuary considered the current and expected target asset allocations of the pension portfolio, as well as historical returns and future expectations for returns, on a short-term fixed income category of Plan assets.

The Plan seeks preservation of capital and current income in lieu of the acceptance of the risk associated with a primary emphasis seeking capital appreciation. This goal is accomplished through investing primarily in short-term United States government agency-backed securities and certificates of deposit. These investments comprised 91% of the portfolio at June 30, 2016 and 2015. The balance of the portfolio consisted of an investment in Christian Brothers Investment Services, Inc. Religious Communities Trust Short Bond Fund (9% at June 30, 2016 and 2015), which conforms to the overall policy of the Plan because of its policy of investing primarily (70+%) in short-term United States government agency securities, corporate asset-backed securities, and mortgage-backed securities. Investments with any significant risk are not indicated for this Plan. Risk is managed through investing in certificates of deposit at or below the amount guaranteed by the FDIC, FSLIC, or in federal government-backed securities. Overall long-term rate of return fluctuates with interest rates.

#### *Major Categories of Plan Assets (Unaudited)*

	Fair Value as of 2016	Fair Value as of 2015	% of Portfolio
Investments:			
Held at Merrill Lynch - Certificates of Deposit - FDIC or FSLIC insured	\$ 3,309,126	\$ 3,171,536	91%
Held at Christian Brothers Investment Services, Inc. - Religious Communities Trust Short Bond Fund*	323,711	317,649	9%
<b>Total Investments</b>	<b>\$ 3,632,837</b>	<b>\$ 3,489,185</b>	<b>100%</b>

\*Invests primarily (70+%) in short-term United States government agency securities, corporate asset-backed securities, and mortgage-backed securities.

**Administrative and Program Offices of the  
Roman Catholic Diocese of San Angelo**

**Notes to Financial Statements**

**7. Pension Plan (Continued)**

*Estimate of Contributions to the Plan for the Fiscal Year Beginning July 1*

	2016	2015
Active priests	36	33
Contribution per priest for the year	\$ x 8,400	\$ x 6,000
Contribution for Priests for the Year	302,400	198,000
Additional contribution	25,000	34,000
Expected Contribution	\$ 327,400	\$ 232,000

There were no securities of the Diocese, or insurance policies issued by the Diocese, included in Plan assets. There were no significant transactions between the Diocese, or related parties, and the Plan during the years ended June 30, 2016 and 2015.

*Estimated Future Benefit Payments*

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Benefits
2017	\$ 248,123
2018	277,130
2019	311,617
2020	308,872
2021	318,692
Years 2022-2026	1,846,847
	\$ 3,311,281

The Diocese also has a 403(b) defined contribution plan for lay employees, in which contributions made are immediately vested. All regular employees who work 20 hours or more per week are eligible to participate and are immediately vested. The Diocese contributes 5% of the salary of all participants. During fiscal year 2016 and 2015, the Diocese contributed \$54,529 and \$58,175, respectively.

**Administrative and Program Offices of the  
Roman Catholic Diocese of San Angelo**

**Notes to Financial Statements**

**8. Priests' Postretirement Benefits**

The Diocese is obligated under Canon Law to provide priests social assistance which provides for their needs suitably if they suffer from illness, incapacity or old age. The Diocese provides retirees health care benefits for priests who meet the minimum age and service requirements and retire from active service. These benefits are funded as claims are submitted for reimbursement or payment and after other sources have been exhausted and have exceeded the \$800 limit for medical/dental and prescription out-of-pocket expenses.

The Diocese recognizes the underfunded status of the defined postretirement health care benefit plan as a liability in the statement of financial position and recognizes the changes in that funded status of the plan in net assets in the year in which the changes occur.

The following table sets forth the funded status and amounts recognized in the accompanying financial statements as of and for the years ended June 30:

	<u>2016</u>	<u>2015</u>
<hr/>		
Obligations and Funded Status:		
Benefit obligation	\$ (2,168,160)	\$ (2,016,830)
Plan assets at fair value	-	-
<hr/>		
Funded Status (Under-Funded)	\$ (2,168,160)	\$ (2,016,830)
<hr/>		
Amounts recognized in the Statements of Financial Position consisted of accrued post-retirement benefit liabilities	\$ (2,168,160)	\$ (2,016,830)
<hr/>		
Amounts recognized in the Statements of Activities consisted of prior service cost (included in General and Administrative Expenses)	\$ (202,111)	\$ (191,681)
<hr/>		
	<u>2016</u>	<u>2015</u>
<hr/>		
Amounts Recognized in the Statements of Activities consisted of components of net periodic post-retirement benefit costs		
Cost Components:		
Service cost	\$ 122,443	\$ 117,734
Interest cost	79,668	73,947
<hr/>		
Net Periodic Pension Cost (included in General and Administrative Expenses)	\$ 202,111	\$ 191,681
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**Administrative and Program Offices of the  
Roman Catholic Diocese of San Angelo**

**Notes to Financial Statements**

**8. Priests' Postretirement Benefits (Continued)**

The following assumptions were used in accounting for the Plan:

Weighted-average assumptions used to determine net benefit cost for years ended June 30:

	2016	2015
Discount rate	4.00%	4.00%
Health Care Trend Rate		
Initial	9.00%	9.00%
Ultimate	5.00%	5.00%
Years to Ultimate	8	8

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the health benefit plan. A one-percentage point change in assumed healthcare cost trend rates would have the following effect:

	One Percentage Point Increase	One Percentage Point Decrease
Effect on total of service and interest cost components	\$ 47,514	\$ (32,633)
Effect on post-retirement benefit obligation	\$ 437,371	\$ (336,192)

***Estimated Future Benefit Payments***

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Post Retirement Benefits
2017	\$ 55,351
2018	63,551
2019	72,239
2020	75,539
2021	84,610
Years 2022-2026	510,265
	\$ 861,555

**Administrative and Program Offices of the  
Roman Catholic Diocese of San Angelo**

**Notes to Financial Statements**

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**9. Parish Savings Deposits**

The parishes and other related entities within the Diocese deposit excess funds with the Diocese which then, in turn, may loan these funds to other parishes and related entities as necessary. By holding these funds on deposit, the Diocese incurs a liability to the related entities. In the event the related entities request that the Diocese return their funds on deposit, the Diocese may be obligated to return these funds, subject to certain limitations. The amount required to be returned to the related entities is limited to the availability of the funds and is stated in the savings and loan pool policies. Availability of the funds may be affected by the amount of funds loaned to other parishes and related entities. These funds are to be used principally for loans to other parishes and churches within the Diocese (see Note 4).

The interest rate paid on parish savings deposits is derived from two sources: (1) interest earned on loans to parishes, and (2) the earnings on certificates of deposit invested from 30 days to one-year terms. This blended rate was 0.881% and 0.659% at June 30, 2016 and 2015, respectively.

Interest paid for the years ended June 30, 2016 and 2015 was \$123,232 and \$81,177, respectively. These amounts are included in general and administrative expenses in the statements of activities.

**10. Net Assets**

Temporarily restricted net assets consisted of the following at June 30:

	2016	2015
Gifts and Related (Purpose Restricted) Available for:		
Special collections	\$ 1,695	\$ 13,910
Newman Center	729	729
Christ the King Retreat Center	49,954	44,132
Disaster fund	39,242	31,155
Extension Grant	-	50,000
Catholic Home Mission Grant	82,500	67,500
Scanlon Foundation	16,273	-
St. Dismas Ministry	2,863	3,862
Charity fund	2,105	3,535
Campus Ministry - Abilene	6,033	3,103
Campus Ministry - Midland	5,451	
Campus Ministry - Odessa	-	500
Campus Ministry - San Angelo	2,809	2,883
Pro Life	3,155	3,155
Loyola Institute for Ministry-Extension	7,028	7,028
Seminary Burse Endowment Fund	254,712	328,666
	<b>\$ 474,549</b>	<b>\$ 560,158</b>

**Administrative and Program Offices of the  
Roman Catholic Diocese of San Angelo**

**Notes to Financial Statements**

**10. Net Assets (Continued)**

Permanently restricted net assets consisted of the following at June 30:

	2016	2015
Seminary Burse Endowment Fund	\$ 2,052,958	\$ 2,025,682

Net assets released from temporarily restricted net assets by accomplishing the designated purposes, were as follows:

	2016	2015
Special collections	\$ 23,333	\$ -
Newman Center	-	10,910
Christ the King Retreat Center	8,678	-
Disaster fund	-	16,000
Extension Grant	185,000	100,000
Catholic Home Mission Grant	150,000	135,000
Kennedy Memorial Foundation	172,000	45,000
Scanlon Foundation	63,727	-
Excelsior Foundation	6,000	-
Catholic Charitable Foundation	9,366	-
Strake Foundation	5,000	-
Deferred Seminary Burse Endowment Fund interest	112,186	130,805
Charity Fund	2,030	-
Campus Ministry - Abilene	782	-
Campus Ministry - Midland	8,661	-
Campus Ministry - Odessa	5,712	-
Campus Ministry - San Angelo	75	2,029
St. Dismas Ministry	1,000	160
	\$ 753,550	\$ 439,904

**Administrative and Program Offices of the  
Roman Catholic Diocese of San Angelo**

**Notes to Financial Statements**

**11. Transactions with Parishes and other Related Organizations**

Transactions with parishes that are held or processed by the Diocese for the parishes are recorded in the statement of financial position and do not flow through the statement of activities. These transactions as of June 30 are as follows:

	<b>2016</b>	<b>2015</b>
Casualty, workers compensation, and medical insurance premiums billed to parishes and other related organizations	\$ 2,656,169	\$ 2,636,774
403(b) contributions	929,474	763,832
Other operating costs	306,896	295,745
Receipts from parishes for special collections	\$ 836,797	\$ 855,748

The Diocese bills the parishes for reimbursable items paid on their behalf by the Diocese. The billings include items such as casualty, workers compensation, medical insurance premiums, retirement contributions and other operating costs. Special collections, originate in, and are received by, the parishes, and thus are recorded on the basis of accounting determined by the parishes.

Transactions with parishes that are billed by the Diocese to the parishes that flows through the statement of activities pertains mainly to the parish assessments. The parishes calculate the assessment due to the Diocese based on contributions received, less certain defined deductions. These transaction for the periods ended June 30 are as follows:

	<b>2016</b>	<b>2015</b>
Parish assessments	\$ 3,095,783	\$ 3,363,030

Due to the nature of these transactions and related accounting records, the parish assessments and special collections received by the Diocese are recorded solely based on such parish accounting. A substantial portion of the Diocese's accounts receivable is due from parishes and other related organizations.

The Diocese maintains an investment in pooled funds with the Foundation and the investments are held by the Foundation as Agency Funds. These investments are to be invested by the Foundation, on behalf of the Diocese with the intention of supporting the activities of the Diocese. As of June 30, these funds amounted to:

	<b>2016</b>	<b>2015</b>
Funds held by the Foundation on behalf of the Diocese	\$ 3,022,392	\$ 3,090,810

# Administrative and Program Offices of the Roman Catholic Diocese of San Angelo

## Notes to Financial Statements

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### 12. Endowment

#### *Endowment Funds*

The Diocese maintains a Seminary Burse Endowment Fund, established as a permanent endowment, to provide a continuing source of income for the education and support of seminarians of the Diocese. This donor-restricted endowment fund falls under the provisions of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the state of Texas with an effective date of September 1, 2007. This policy defines the Diocese interpretation of the provisions of this law as they relate to the prudent management of the Seminary Burse Endowment Fund.

In July 2006, the Uniform Law Commission (ULC) approved the UPMIFA as a modernized version of the Uniform Management of Institutional Funds Act of 1972 (UMIFA), which governed the investment and management of donor-restricted endowment funds by not-for-profit organizations. The major change of the new law is that UPMIFA prescribes new guidelines for expenditure of a donor-restricted endowment fund when there are no explicit donor stipulations. These guidelines require the Diocese to determine what constitutes prudent spending based upon consideration of the donor's intent that the endowment fund continues permanently, the purpose of the fund, and relevant economic factors.

#### *Endowment "Principal" Interpretation*

The Diocese has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Diocese classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment (the "Principal") plus, as permitted by the Diocese Indenture, additional amounts approved by the Trustees. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Diocese, in a manner consistent with the standard of prudence prescribed by UPMIFA.

#### *Endowment Investment Objectives*

The endowment fund seeks preservation of capital and current income in lieu of the acceptance of risk. To accomplish this goal, the endowment fund is invested mostly in the Seminary Burse Endowment Fund - held by the Catholic Charitable Foundation.

#### *Endowment "Income" Appropriation (Spending Policy)*

The Diocese's policy is to distribute, as earned, the actual income earned on the principal.

**Administrative and Program Offices of the  
Roman Catholic Diocese of San Angelo**

**Notes to Financial Statements**

**12. Endowment (Continued)**

In accordance with UPMIFA, in all the Seminary Burse Endowment Fund spending activity, the Diocese considers the following factors in making a determination to appropriate (spend) or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the donor-restricted endowment fund
3. General economic and investment market conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Diocese, and
7. The investment policies of the Diocese

*Endowment Net Asset Composition by Type of Fund as of June 30, 2016*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 254,712	\$ 2,052,958	\$ 2,307,670
<b>Total Funds</b>	<b>\$ -</b>	<b>\$ 254,712</b>	<b>\$ 2,052,958</b>	<b>\$ 2,307,670</b>

*Changes in Endowment Net Assets for the Year Ended June 30, 2016*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2015	\$ -	\$ 328,666	\$ 2,025,682	\$ 2,354,348
Investment income	-	28,146	-	28,146
Contributions	-	10,087	27,276	37,363
Appropriations of endowment assets for expenditure	-	(112,186)	-	(112,186)
<b>Endowment Net Assets, June 30, 2016</b>	<b>\$ -</b>	<b>\$ 254,712</b>	<b>\$ 2,052,958</b>	<b>\$ 2,307,670</b>

**Administrative and Program Offices of the  
Roman Catholic Diocese of San Angelo**

**Notes to Financial Statements**

**12. Endowment (Continued)**

*Total Net Asset Composition for the Year Ended June 30, 2016*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Funds	\$ -	\$ 254,712	\$ 2,052,958	\$ 2,307,670
Non-Endowment Funds	2,501,051	219,837	-	2,720,888
<b>Total Net Assets</b>	<b>\$ 2,501,051</b>	<b>\$ 474,549</b>	<b>\$ 2,052,958</b>	<b>\$ 5,028,558</b>

*Endowment Net Asset Composition by Type of Fund as of June 30, 2015*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 328,666	\$ 2,025,682	\$ 2,354,348
<b>Total Funds</b>	<b>\$ -</b>	<b>\$ 328,666</b>	<b>\$ 2,025,682</b>	<b>\$ 2,354,348</b>

*Changes in Endowment Net Assets for the Year Ended June 30, 2015*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2014	\$ -	\$ 426,886	\$ 1,978,625	\$ 2,405,511
Investment income	-	29,716	-	29,716
Contributions	-	2,869	47,057	49,926
Appropriations of endowment assets for expenditure	-	(130,805)	-	(130,805)
<b>Endowment Net Assets, June 30, 2015</b>	<b>\$ -</b>	<b>\$ 328,666</b>	<b>\$ 2,025,682</b>	<b>\$ 2,354,348</b>

**Administrative and Program Offices of the  
Roman Catholic Diocese of San Angelo**

**Notes to Financial Statements**

**12. Endowment (Continued)**

*Total Net Asset Composition for the Year Ended June 30, 2015*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Funds	\$ -	\$ 328,666	\$ 2,025,682	\$ 2,354,348
Non-Endowment Funds	1,326,730	231,492	-	1,558,222
<b>Total Net Assets</b>	<b>\$ 1,326,730</b>	<b>\$ 560,158</b>	<b>\$ 2,025,682</b>	<b>\$ 3,912,570</b>

**13. Restatement**

During the year ended June 30, 2016, the Diocese determined that the operations of the Calvary Cemetery within the financial statements had not been appropriately reflected for periods prior to FY2016. The Diocese treated the Calvary Cemetery as a separate entity and closed all accounts and related activity to the liability account "Held for Cemetery".

In addition, the Diocese determined that it had not disclosed the post-retirement benefit obligation for priests in the financial statements for period prior to FY2016.

The effect of the restatement on the accompanying financial statements is as follows:

*Statement of Financial Position on July 1, 2014:*

Type	Description	Increase (Decrease)
Asset	Investments	\$ 707,832
Liability	Held for Cemetery	(107,967)
Liability	Post-retirement obligation	1,871,737
Net Assets	Unrestricted Net Assets	(1,055,939)

*Statement of Financial Position on June 30, 2015:*

Type	Description	Increase (Decrease)
Asset	Investments	\$ 53,857
Liability	Post-retirement obligation	145,093

**Administrative and Program Offices of the  
Roman Catholic Diocese of San Angelo**

**Notes to Financial Statements**

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**13. Restatement (Continued)**

*Statement of Activities and Changes in Net Assets for the year ended June 30, 2015:*

Type	Description	Increase (Decrease)
Revenue	Interest and Dividends	20,287
Revenue	Realized and Unrealized Gains	(9,564)
Revenue	Contributions	50,859
Revenue	Other Income and Fees	88,592
Expenses	General and Administrative	308,635

**14. Subsequent Events**

Subsequent events have been evaluated by management through December 21, 2016, which is the date the financial statements were available to be issued. Material subsequent events, if any are disclosed in a separate footnote to these financial statements.