



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

Financial Statements
Years Ended June 30, 2017 and 2016

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

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Years Ended June 30, 2017 and 2016

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

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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, 2017 and 2016, 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, 2017 and 2016, 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.

BDO USA, LLP

February 28, 2018

Financial Statements

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

Statements of Financial Position

<i>June 30,</i>	2017	2016
Assets		
Cash and cash equivalents	\$ 1,378,965	\$ 2,382,342
Accounts receivable	770,471	862,803
Grants receivable	-	82,500
Other prepaid assets	20,269	23,336
Parish notes receivable	2,296,283	993,149
Investments	15,806,915	17,226,678
Property and equipment, net	1,693,696	1,693,325
Total Assets	\$ 21,966,599	\$ 23,264,133
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 498,993	\$ 254,892
Accrued pension plan liabilities	2,688,948	3,362,888
Accrued post-retirement benefit liabilities	1,639,860	2,168,160
Parish collections for designated purposes	415,811	196,888
Parish savings deposits	11,806,053	14,420,907
Total Liabilities	17,049,665	20,403,735
Net Assets		
Unrestricted	2,344,892	332,891
Temporarily restricted	468,653	474,549
Permanently restricted	2,103,389	2,052,958
Total Net Assets	4,916,934	2,860,398
Total Liabilities and Net Assets	\$ 21,966,599	\$ 23,264,133

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, 2017</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains, and Other Support				
Contributions	\$ 852,704	\$ -	\$ 50,431	\$ 903,135
Parish assessments	3,207,536	-	-	3,207,536
Grants	-	575,005	-	575,005
Interest and dividends	83,084	73,272	-	156,356
Other income and fees	644,436	-	-	644,436
Miscellaneous revenue	24,107	-	-	24,107
Realized/unrealized gain on investments	-	152,530	-	152,530
Amounts released from restriction	806,703	(806,703)	-	-
Total Revenue, Gains, and Other Support	5,618,570	(5,896)	50,431	5,663,105
Expenses				
Program	3,620,371	-	-	3,620,371
General and administrative	1,846,881	-	-	1,846,881
Total Expenses	5,467,252	-	-	5,467,252
Change in net assets before pension- related changes other than net periodic pension costs	151,318	(5,896)	50,431	195,853
Pension and post retirement-related changes other than net periodic costs	1,860,683	-	-	1,860,683
Change in Net Assets	2,012,001	(5,896)	50,431	2,056,536
Net Assets, beginning of year	332,891	474,549	2,052,958	2,860,398
Net Assets, end of year	\$ 2,344,892	\$ 468,653	\$ 2,103,389	\$ 4,916,934

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
Revenue, Gains, and Other Support				
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)	-	-
Total Revenue, Gains, and Other Support	6,008,201	(85,609)	27,276	5,949,868
Expenses				
Program	4,097,157	-	-	4,097,157
General and administrative	1,657,087	-	-	1,657,087
Total Expenses	5,754,244	-	-	5,754,244
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
Net Assets, beginning of year	(690,100)	560,158	2,025,682	1,895,740
Net Assets, end of year	\$ 332,891	\$ 474,549	\$ 2,052,958	\$ 2,860,398

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>	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ 2,056,536	\$ 964,658
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	86,272	139,878
Pension and post retirement-related changes other than net periodic costs	(1,860,683)	(769,034)
Realized/unrealized loss on investments	(152,530)	57,657
Change in operating assets and liabilities:		
Accounts receivable	92,332	152,937
Grants receivable	82,500	32,500
Other prepaid assets	3,067	830,008
Accounts payable and accrued liabilities	244,101	(448,887)
Accrued pension plan liabilities	702,720	602,973
Accrued post-retirement benefits liabilities	(44,277)	151,330
Parish collections for designated purposes	218,923	127,908
Net cash provided by operating activities	1,428,961	1,841,928
Cash Flows from Investing Activities		
Principal payments received on parish notes receivable	499,659	134,323
Loans made to parishes	(1,802,793)	(160,309)
Proceeds from sales and maturity of investments	1,833,240	1,619,451
Purchases of investments	(260,947)	(1,962,938)
Purchases of property and equipment	(86,643)	(183,443)
Net cash provided by (used in) investing activities	182,516	(552,916)
Cash Flows from Financing Activities		
Net (decrease) increase in parish savings deposits	(2,614,854)	877,088
Net cash (used in) provided by financing activities	(2,614,854)	877,088
Net (Decrease) Increase In Cash and Cash Equivalents	(1,003,377)	2,166,100
Cash and Cash Equivalents, beginning of year	2,382,342	216,242
Cash and Cash Equivalents, end of year	\$ 1,378,965	\$ 2,382,342

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

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.

The Diocese has a related foundation, The Catholic Charitable Foundation for the Roman Catholic Diocese of San Angelo (the Foundation), that serves as independent nonprofit to manage and administer the Diocese's and other endowment and investment funds.

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.

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

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 represent amounts owed to the Diocese for contributions and grants awarded 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 write off receivables on a case-by-case basis. At June 30, 2017 and 2016, no allowances were considered necessary.

Investments

Investments consist of certificates of deposit held on behalf of parishes (see note 9), 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 to 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 and recorded at cost when purchased, or at fair value at the date of donation. Depreciation on property and equipment is calculated on a straight-line basis over the estimated useful life of the asset, which ranges 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

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (continued)

Parish assessments include the parishes' contributions to the operations of the Diocese and are calculated at an agreed upon rate multiplied by the parishes' revenue, net of allowable deductions. The agreed upon rate at June 30, 2017 and 2016 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 2017 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 2014-2016 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.

Change in Accounting Policy

Prior to July 1, 2016, interest earned on the Parish savings accounts and interest paid on the Parish loan accounts were accounted for by using interest income and expense accounts. Effective July 1, 2016 it was determined that the interest earned from and paid to the parishes on the monies held by the Diocese were agency funds, and should not be recognized as income or expense. During the 2016-2017 year all interest earned and paid on these funds was accounted for in the agency fund account with the parish savings deposits. The net effect of these interest transactions was immaterial to the financial statements.

Reclassifications

Certain amounts in the prior period have been reclassified to conform with the current period financial statement presentation. The reclassifications have no effect on the previously reported change in net assets.

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

Notes to Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Accounting Pronouncements Issued but Not Yet Adopted or Currently in Effect

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.

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.

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

Notes to Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Accounting Pronouncements Issued but Not Yet Adopted or Currently in Effect (Continued)

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 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. The Diocese cash balances 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.

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

Notes to Financial Statements

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, 2017 and 2016 were 2.75% and 2.29%, respectively. Notes are typically due within 30 years of the date of the note and require the balance, plus interest, to be repaid ratably over that period. Interest earned on the notes receivable is credited to the savings deposits account, see note 9. The carrying value of notes receivable approximates fair value.

The aggregate maturities of notes receivable for each of the five years subsequent to June 30, 2017 and thereafter are as follows:

2018	\$	180,014
2019		183,243
2020		183,710
2021		128,132
2022		125,750
Thereafter		1,495,434
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Total Parish Notes Receivable	\$	2,296,283

5. Property and Equipment

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

	2017	2016
Land and improvements	\$ 936,135	\$ 936,135
Buildings and improvements	4,392,966	4,383,455
Furniture and equipment	1,056,479	1,162,105
Automobiles and trucks	134,033	148,555
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	6,519,613	6,630,250
Less: Accumulated depreciation	(4,825,917)	(4,936,925)
<hr/>		
Property Plan and Equipment, Net	\$ 1,693,696	\$ 1,693,325

Depreciation expense was \$86,272 and \$139,878 for the years ended June 30, 2017 and 2016, respectively. Fully depreciated assets were disposed of during the year.

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

Notes to Financial Statements

6. Fair Value of Financial Instruments

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), 820-10, defines fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurements. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets that the Diocese has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 - Inputs that are unobservable for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

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 are carried at amortized cost, which approximates fair value.
- *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. The following tables set forth by level, within the fair value hierarchy, these Diocese assets at fair value:

<i>June 30, 2017</i>	Level 1	Level 2	Level 3	Fair Value
Certificates of deposit	\$12,562,407	\$ -	\$ -	\$12,562,407
Seminary Burse				
Endowment Fund -				
held by the Foundation	-	2,404,411	-	2,404,411
Calvary Cemetery Fund -				
held by the Foundation	-	840,097	-	840,097
Total Assets	\$12,562,407	\$ 3,244,508	\$ -	\$15,806,915

<i>June 30, 2016</i>	Level 1	Level 2	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
Total Assets	\$ 14,204,286	\$ 3,022,392	\$ -	\$ 17,226,678

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. In association with the annual analysis of the Plan and associated obligations and expenses the Diocese consulted with a different actuary than historically utilized. In conjunction with the change in actuary changes were made to the assumptions and actuarial processes used in the pension analysis. These changes included updating actuarial and mortality tables and information, decreasing the discount rate, updating the attribution method from the Aggregate Cost Method to the Projected Unit Credit Cost Method.

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

Notes to Financial Statements

7. Pension Plan (Continued)

Contributions made and benefits paid are in accordance with Plan provisions. During 2017 and 2016, regular monthly benefits of \$1,500 for both years, were provided to each eligible retiree. The following tables summarize the Plan activity:

	2017	2016
Obligations and Funded Status:		
Benefit obligation	\$ (6,480,039)	\$ (6,995,725)
Plan assets at fair value	3,791,091	3,632,837
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Funded Status (Under-Funded)	\$ (2,688,948)	\$ (3,362,888)
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Accumulated benefit obligation	\$ 6,480,039	\$ 6,237,374
Employer contributions	382,736	355,179
Benefits paid	\$ (264,000)	\$ (222,063)
<hr/>		
Amounts recognized in the Statements of Financial Position consisted of accrued pension plan liabilities	\$ (2,688,948)	\$ (3,362,888)
<hr/>		
Amounts recognized in the Statements of Activities and Changes in net Assets consisted of prior service cost (included in General and Administrative Expenses)	\$ (702,720)	\$ (607,687)
<hr/>		
Amounts Recognized in the Statements of Activities and Changes in Net Assets consisted of components of net periodic pension costs		
Cost Components:		
Service cost	\$ 204,498	\$ 209,082
Interest cost	292,046	293,326
Actual return on plan assets	39,518	(110,326)
Net Amortization and Deferral:		
Amortization of unrecognized prior service cost	98,619	138,592
Amortization of net loss	68,039	77,863
Amortization of initial unrecognized net asset	-	(850)
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Net Periodic Pension Cost (included in Statements of Activities and Changes in Net Assets)	\$ 702,720	\$ 607,687
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**Administrative and Program Offices of the
Roman Catholic Diocese of San Angelo**

Notes to Financial Statements

7. Pension Plan (Continued)

	2017	2016
Related Changes Other than Net Periodic Pension Cost:		
Prior service cost	\$ 98,619	\$ 138,592
Net gain (loss)	575,321	631,292
Transition obligation	-	(850)
	\$ 673,940	\$ 769,034
Other Changes in Plan Assets and Benefit Obligations -		
Recognized Changes in Unrestricted Net Assets -		
Net loss	\$ 113,513	\$ 110,326
Total Recognized in Net Periodic Pension Cost		
and Unrestricted Net Assets	\$ 113,513	\$ 110,326

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:

	2017	2016
Discount rate	3.85%	4.25%
Expected return on Plan assets	3.00%	3.00%
Rate of compensation increase	2.75%	2.75%

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 with a primary emphasis seeking capital appreciation. This goal is accomplished through investing in United States government agency-backed securities and certificates of deposit, bond funds, and mutual funds. The investment allocations as delayed below conform to the overall investment policy of the Plan.

**Administrative and Program Offices of the
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Notes to Financial Statements

7. Pension Plan (Continued)

Major Categories of Plan Assets (Unaudited)

<i>June 30,</i>	2017		2016	
	Fair Value	% of Portfolio	Fair Value	% of Portfolio
Investments:				
Held at Merrill Lynch - Certificates of Deposit - FDIC or FSLIC insured	\$ 2,337,926	61%	\$ 3,309,126	91%
Held at Christian Brothers Investment Services, Inc. - Bond Funds	717,087	19%	323,711	9%
Held at Christian Brothers Investment Services, Inc. - Mutual Funds	588,188	16%	-	-
Total Investments	3,643,201		3,632,837	
Cash Held For Pension	147,890	4%	-	
Total Plan Assets	\$ 3,791,091		\$ 3,632,837	

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

	2017	2016
Active priests	34	36
Contribution per priest for the year	\$ 9,000	\$ 8,400
Contribution for Priests for the year	306,000	302,400
Additional contribution	9,113	25,000
Expected Contribution	\$ 315,113	\$ 327,400

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, 2017 and 2016.

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

Notes to Financial Statements

7. Pension Plan (Continued)

Estimated Future Benefit Payments

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

	Pension Benefits
2018	\$ 259,662
2019	277,351
2020	289,857
2021	295,931
2022	322,044
Years 2023-2026	1,767,703
	<hr/>
	\$ 3,212,548

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 2017 and 2016, the Diocese contributed \$62,564 and \$54,529, respectively.

8. Priests' Postretirement Benefits

The Diocese is obligated under Canon Law to provide social assistance to priests, which provides for their needs if they suffer from illness, incapacity or old age. The Diocese provides retiree health care benefits for priests who meet the minimum age and service requirements and retire from active service. These benefits are funded as claims and are submitted for reimbursement or payment after other sources have been exhausted or 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.

**Administrative and Program Offices of the
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Notes to Financial Statements

8. Priests' Postretirement Benefits

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:

	2017	2016
Obligations and Funded Status:		
Benefit obligation	\$ (1,639,860)	\$ (2,168,160)
Plan assets at fair value	-	-
Funded Status (Under-Funded)	\$ (1,639,860)	\$ (2,168,160)
Amounts recognized in the Statements of Financial Position consisted of accrued post-retirement benefit liabilities	\$ (1,639,860)	\$ (2,168,160)
Amounts recognized in the Statements of Activities and Changes in Net Assets consisted of prior service cost (included in General and Administrative Expenses)	\$ (212,971)	\$ (202,111)
Amounts Recognized in the Statements of Activities and Changes in Net Assets consisted of components of net periodic post-retirement benefit costs		
Cost Components:		
Service cost	\$ 127,341	\$ 122,443
Interest cost	85,630	79,668
Net Periodic Pension Cost (included in General and Administrative Expenses)	\$ 212,971	\$ 202,111

The following assumptions were used in accounting for the Plan:

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

	2017	2016
Discount rate	4.00%	4.00%
Health Care Trend Rate		
Initial	9.00%	9.00%
Ultimate	5.00%	5.00%
Years to Ultimate	7	8

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

Notes to Financial Statements

8. Priests' Postretirement Benefits (Continued)

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	\$ 43,172	\$ (33,203)
Effect on post-retirement benefit obligation	\$ 353,717	\$ (268,067)

Estimated Future Benefit Payments

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

	Post Retirement Benefits
2018	\$ 47,987
2019	51,031
2020	54,892
2021	58,646
2022	64,723
Years 2023-2026	364,715
	\$ 641,994

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).

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

Notes to Financial Statements

9. Parish Savings Deposits (Continued)

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 1.08% and 0.881% at June 30, 2017 and 2016, respectively.

Interest earned and recorded as a liability for the years ended June 30, 2017 and 2016 was \$74,364 and \$123,232, respectively. These amounts are included in the savings deposits account as part of the agency funds that are reflected as parish savings deposits in the Statements of Financial Position.

10. Net Assets

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

	2017	2016
Gifts and Related (Purpose Restricted) Available for:		
Special collections	\$ 70,881	\$ 1,695
Newman Center	16,273	729
Christ the King Retreat Center	-	49,954
Disaster fund	-	39,242
Catholic Home Mission Grant	-	82,500
Scanlan Foundation	-	16,273
National Christian Foundation	10,236	-
St. Dismas Ministry	2,863	2,863
Charity fund	-	2,105
Campus Ministry - Abilene	-	6,033
Campus Ministry - Midland	-	5,451
Campus Ministry - San Angelo	-	2,809
Pro Life	3,155	3,155
Loyola Institute for Ministry-Extension	-	7,028
Seminary Burse Endowment Fund	365,245	254,712
	\$ 468,653	\$ 474,549

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

	2017	2016
Seminary Burse Endowment Fund	\$ 2,103,389	\$ 2,052,958

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

Notes to Financial Statements

10. Net Assets (Continued)

Net assets released from temporarily restricted net assets by accomplishing the designated purposes for the years ended June 30, were as follows:

	2017	2016
Special Collections	\$ 49,875	\$ 23,333
Mission Trips	729	-
Christ the King Retreat Center	49,954	8,678
Catholic Extension Society	206,280	-
Extension Grant	-	185,000
Catholic Home Mission Grant	161,850	150,000
Tucker Foundation	31,052	-
Kennedy Memorial Foundation	20,500	172,000
Koch Foundation	10,000	-
Scanlon Foundation	-	63,727
Excelsior Foundation	-	6,000
Catholic Charitable Foundation	3,000	9,366
Convocation of Catholic Leaders	5,488	-
San Angelo Area Foundation	4,429	-
Scanlan Foundation	90,000	-
National Christian Foundation	24,764	-
Loyola Institute for Ministry-Extension	7,029	-
Strake Foundation	-	5,000
Deferred Seminary Burse Endowment Fund interest	115,269	112,186
Charity Fund	12,191	2,030
Campus Ministry - Abilene	6,033	782
Campus Ministry - Midland	5,451	8,661
Campus Ministry - Odessa	-	5,712
Campus Ministry - San Angelo	2,809	75
St. Dismas Ministry	-	1,000
	\$ 806,703	\$ 753,550

11. Insurance Fund

The Diocese is self-insured for individual workers' compensation and property and liability losses. Various religious organizations, parishes, and schools participate in the self-insurance plan. The Diocese is self-insured for individual workers' compensation losses up to \$25,000 and has a stop loss policy for claims exceeding \$25,000 individually and \$100,000 per year in total. For individual property and liability losses the Diocese is self-insured for up to \$50,000 per occurrence and has a stop loss policy covering individual losses exceeding \$50,000 and \$300,000 in total per policy year. Premiums paid to the Diocese by organizations covered by the plan are recorded in other income on the statement of activities net of expenses incurred. Premiums in excess of expenses are accumulated in an unrestricted net asset fund for the purpose paying future insurance claims and premiums. Claims and expenses in process totaling \$56,448 and \$15,334 at June 30, 2017 and 2016, respectively, are included in the statement of financial position as accounts payable and accrued liabilities.

**Administrative and Program Offices of the
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Notes to Financial Statements

12. Transactions with Parishes and other Related Organizations

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

	2017	2016
Casualty, workers compensation, and medical insurance premiums billed to parishes and other related organizations	\$ 2,298,820	\$ 2,656,169
403(b) contributions/pension contributions	840,949	929,474
Other operating costs	296,392	306,896
Receipts from parishes for special collections	975,735	836,797

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 flow through the statements of activities and changes in net assets pertain mainly to the parish assessments. The parishes calculate the assessment due to the Diocese based on contributions received, less certain defined deductions. Parish assessments totaled \$3,207,536 and \$3,095,783 at June 30, 2017 and 2016, respectively.

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 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. Investments held by the Foundation totaled \$3,195,702 and \$3,022,392 at June 30, 2017 and 2016, respectively. At June 30, 2017 the Diocese owed the Foundation \$2,466 which is included in accounts payable and accrued liabilities.

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Notes to Financial Statements

13. 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
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Notes to Financial Statements

13. 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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 365,245	\$ 2,103,389	\$ 2,468,634

Changes in Endowment Net Assets for the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2016	\$ -	\$ 254,712	\$ 2,052,958	\$ 2,307,670
Investment income	-	225,802	-	225,802
Contributions	-	-	50,431	50,431
Appropriations of endowment assets for expenditure	-	(115,269)	-	(115,269)
Endowment Net Assets, June 30, 2017	\$ -	\$ 365,245	\$ 2,103,389	\$ 2,468,634

**Administrative and Program Offices of the
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Notes to Financial Statements

13. Endowment (Continued)

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

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	-	28,145	-	28,145
Contributions	-	10,087	27,276	37,363
Appropriations of endowment assets for expenditure	-	(112,186)	-	(112,186)
Endowment Net Assets, June 30, 2016	\$ -	\$ 254,712	\$ 2,052,958	\$ 2,307,670

14. Subsequent Events

Subsequent events have been evaluated by management through February 28, 2018, which is the date the financial statements were available to be issued.