

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the Diocese of Lubbock-Central Administrative Office (the Diocese), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese of Lubbock-Central Administrative Office as of June 30, 2024 and 2023, and the change in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted by the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Diocese of Lubbock-Central Administrative Office and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinion for the June 30, 2024 and 2023 financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Diocese of Lubbock-Central Administrative Office's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese of Lubbock-Central Administrative Office's ability to continue as a going concern for a reasonable period of time.

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



December 20, 2024
El Paso, Texas

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Cash	\$ 3,291,419	2,699,448
Investments	4,481,907	4,375,359
Accounts receivable, net	481,773	154,190
Grants receivable	459,125	343,500
Loans receivable	446,120	164,921
Land, buildings, and equipment, net	10,265,239	5,387,286
Other assets	<u>3,282</u>	<u>2,462</u>
TOTAL ASSETS	<u>\$ 19,428,865</u>	<u>13,127,166</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 267,569	\$ 97,320
Parish savings and deposits	2,015,696	1,724,932
Online donation parishes payable	-	89,292
Insurance recovery payable	191,966	191,966
Health insurance reserve	73,313	73,313
Accrued priest pension plan	<u>411,961</u>	<u>432,121</u>
Total liabilities	<u>2,960,505</u>	<u>2,608,944</u>
Net assets		
Without donor restrictions:		
Undesignated	\$ 6,155,957	\$ 5,219,557
Unfunded pension obligation	(411,961)	(432,121)
Investment in plant assets	<u>10,265,239</u>	<u>5,387,286</u>
Total without donor restrictions net assets	<u>16,009,235</u>	<u>10,174,722</u>
With donor restrictions:		
Time restriction	<u>459,125</u>	<u>343,500</u>
Total with donor restrictions net assets	<u>459,125</u>	<u>343,500</u>
Total net assets	<u>16,468,360</u>	<u>10,518,222</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,428,865</u>	<u>\$ 13,127,166</u>

See independent accountant's report and notes to financial statements

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
SUPPORT AND REVENUE		
Annual appeal and other contributions	\$ 1,541,436	\$ 1,654,928
Cathedraticum	499,928	1,117,529
Gifts and honorariums	1,406,017	2,110,074
Donation - building	4,679,149	-
Fees for programs and services	621,350	511,713
Interest and investment revenues	40,806	44,385
Refund of insurance premium	1,003,413	-
Royalties	4,164	4,754
Grants	429,186	544,005
Other revenues	123,610	46,628
Realized gain (loss) on investments	309,449	10,091
Unrealized (loss) gain on investments	77,382	99,255
Pass-through revenue	114,174	-
Support and revenue	10,850,064	6,143,362
Net assets released from restriction	224,500	338,706
Total support and revenue	11,074,564	6,482,068
EXPENSES		
Program/ministries		
Campus ministry	84,848	82,886
Claims paid to parishes	180,050	113,848
Clergy	72,318	69,319
Communications and SPC	255,025	239,527
Deacon continuing education	160,106	138,638
Deacon formation	22,395	28,171
Diocesan High School	150,000	297,500
EF3 Conference	12,030	8,219
Formation Division	94,811	109,280
Other gifts	130,774	74,932
Office for catechesis	91,299	88,449
Office of family life	83,778	66,809
Office of worship & liturgical music	33,650	41,330
Parish sustenance	342,397	162,317
RCIA	9,168	9,142
Seminarians	424,062	308,113
Superintendent -admin	58,257	51,144
Superintendent of school - teachers	323,255	350,215
Vicar for consecrated life	9,535	8,569
Vicar general office	24,162	25,590
Vocations office	60,855	70,126
Youth and young adults	74,475	59,173
Jail ministry	191	352
Parish billable	4,257	5,820
Total program/ministries	2,701,698	2,409,469

See independent accountant's report and notes to financial statements

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

STATEMENTS OF ACTIVITIES (Continued)
YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
EXPENSES (Continued)		
Management/administrative		
Bishop emeritus	\$ 29,354	\$ 32,501
Bishop's office	161,712	141,561
Bishop's residence	59,862	46,992
Catholic pastoral center	98,679	85,101
Catholic renewal center	147,137	127,515
Chancellor	65,046	99,173
Clergy continuing education	13,364	14,079
Clergy- legal and accounting	61,103	37,518
Clergy- salary and benefits	360,656	411,366
Annual appeal	94,626	130,389
Deposit and loan	15,181	11,661
Development office	131,728	108,479
Facilities	154,905	132,033
Finance office	471,310	630,483
Marriage tribunal and canonical services	190,580	153,050
Parish administration	170,972	149,379
Social concerns	96,594	82,207
Office supplies- Joan Patton finance center	37,579	38,904
Miscellaneous	1,800	-
Total management/administrative	<u>2,362,188</u>	<u>2,432,391</u>
Total expenses	<u>5,063,886</u>	<u>4,841,860</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTION BEFORE CAPITAL TRANSACTIONS	<u>6,010,678</u>	<u>1,640,208</u>
Capital transactions		
Insurance proceeds	-	10,000
Depreciation expense	(196,325)	(190,040)
Total capital transactions	<u>(196,325)</u>	<u>(180,040)</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS AFTER CAPITAL TRANSACTIONS	<u>5,814,353</u>	<u>1,460,168</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	340,125	343,500
Net assets released	(224,500)	(338,706)
Total increase in net assets with donor restrictions	<u>115,625</u>	<u>4,794</u>
TOTAL INCREASE IN NET ASSETS BEFORE PENSION LIABILITY	5,929,978	1,464,962
Other comprehensive income (loss)		
Minimum pension liability	20,160	17,015
NET ASSETS, Beginning of year	<u>10,518,222</u>	<u>9,036,245</u>
NET ASSETS, End of year	<u>\$ 16,468,360</u>	<u>\$ 10,518,222</u>

See independent accountant's report and notes to financial statements

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase (decrease) in net assets	\$ 5,950,138	\$ 1,481,977
Adjustments to reconcile net increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	196,325	190,040
Net unrealized loss (gain) on investments	(77,382)	(99,255)
Non cash donation	(4,679,149)	-
Changes in operating assets and liabilities		
(Increase) decrease:		
Accounts receivable	(327,583)	(8,470)
Grants receivable	(115,625)	(111,499)
Loans receivable	(281,199)	27,745
Other assets	(820)	(265)
Increase (decrease):		
Accounts payable and accrued expenses	170,249	(103,953)
Accrued priest pension plan	(20,160)	(17,015)
Deposits payable	290,764	51,491
Online donation parishes payable	(89,292)	89,292
Insurance recovery payable	-	191,966
Net cash provided by operating activities	<u>1,016,266</u>	<u>1,692,054</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase and sales of investments	(29,166)	(1,400,241)
Purchase of property, plant, and equipment	<u>(395,129)</u>	<u>(187,485)</u>
Net cash used in investing activities	<u>(424,295)</u>	<u>(1,587,726)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	591,971	104,328
CASH AND CASH EQUIVALENTS, Beginning of year	<u>2,699,448</u>	<u>2,595,120</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 3,291,419</u>	<u>\$ 2,699,448</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for interest	<u>\$ 15,181</u>	<u>\$ 11,661</u>
Minimum pension liability	<u>\$ 411,961</u>	<u>\$ 432,121</u>

See independent accountant's report and notes to financial statements

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

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

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

Catechesis

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

Catholic Charities

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

Catholic Schools

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

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Communications

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

Diaconate

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

Divine Worship

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

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Marriage and Family Life

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

Marriage Tribunal

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

Vocations and Seminarian Education

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

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

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Affiliate

Effective July 1, 2006, the Diocese of Lubbock entered into a Trust agreement with the Dioceses of Amarillo, Tyler, and Corpus Christi to provide health insurance. The purpose of the Trust is to provide benefits and payments of the specified benefits expenses for the eligible Dioceses' employees. The Diocese and affiliate groups related to the Dioceses pay a monthly premium per eligible individual into the Trust. See footnote 16 for additional information.

Method of Accounting

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

Net Assets

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

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Diocese of Lubbock - Central Administrative Office considers cash and certificates of deposit with an original maturity of three months or less to be cash equivalents. As of June 30, 2024 and 2023, the Diocese had cash equivalents of \$507,472 and \$0, respectively.

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current Expected Credit Losses

In June 2016, the FASB issued Accounting Standards Codification (ASC) 326, *Financial Instruments – Credit Losses*, which significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this pronouncement is a shift from the incurred loss model to the expected loss model. Under this pronouncement, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. The Diocese does not have any receivables within scope of the standard.

Receivables and Allowance for Loan Losses and Doubtful Accounts

Accounts receivable consist primarily of noninterest-bearing amounts due from schools and parishes for insurance coverage and cathedraticum receivables. The Diocese performs ongoing credit evaluations on its accounts receivable based on factors surrounding the credit risk of its loans and accounts receivable, historical trends, and other information.

Credit losses, when realized, have been within the range of the Diocese's expectations. At June 30, 2024 and 2023, \$262,000 and \$524,000, respectively, have been reserved by management for losses anticipated from uncollectible accounts receivable.

Investments

The Diocese carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Building, Equipment, and Vehicles - Plant Division

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

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

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Building, Equipment, and Vehicles - Plant Division (Continued)

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair market value of the asset. There were no indicators of asset impairment during the years ended June 30, 2024 and 2023.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which is intended to improve financial reporting about leasing transactions. The Diocese evaluates its contracts at inception to determine if an arrangement is or contains a lease. If applicable, operating leases are included in operating lease right-of-use (ROU) assets and operating leases liabilities on the balance sheets. As of June 30, 2024 and 2023, the Diocese had no leases that required recognition under ASU 2016-02.

Support and Revenue Without Donor Restrictions and With Donor Restrictions

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

Concentration of Credit Risk

For the years ended June 30, 2024 and 2023, balances of cash at financial banking institutions, which include certificate of deposits, exceeded the federally insured limit of \$250,000 by \$765,015 and \$611,247, respectively. The Diocese maintains cash balances in money market funds. Money market funds are not insured by the FDIC nor are they a deposit or other obligation of or guaranteed by a bank or other depository institution. Money market funds are subject to investment risks, including possible loss of the principal amount invested. Management regularly monitors the financial condition of the institution, along with the Diocese's balances in the money market funds and tries to keep this potential risk at a minimum.

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

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

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

Estimates

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

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

2. LIQUIDITY AND AVAILABILITY

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

	<u>2024</u>
Cash and cash equivalents	\$ 3,291,419
Investments	4,481,907
Grants receivable	459,125
Accounts receivable	481,773
Loans receivable - current	<u>114,313</u>
	<u>\$ 8,828,537</u>

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

3. INVESTMENTS

Investments are stated at fair value and consist of the following at June 30, 2024 and 2023:

	2024		
	Cost	Fair Market Value	Unrealized Appreciation (Depreciation)
Bonds and fixed income securities	\$ 736,986	\$ 833,393	\$ 96,407
Equities	922,208	1,483,132	560,924
Certificates of deposit	2,043,641	2,043,641	-
Other investments	<u>53,976</u>	<u>121,741</u>	<u>67,765</u>
Total investments	<u>\$ 3,756,811</u>	<u>\$ 4,481,907</u>	<u>\$ 725,096</u>

	2023		
	Cost	Fair Market Value	Unrealized Appreciation (Depreciation)
Bonds and fixed income securities	\$ 933,747	\$ 862,205	\$ (71,542)
Equities	362,104	738,917	376,813
Certificates of deposit	2,752,748	2,752,748	-
Other investments	<u>19,448</u>	<u>21,489</u>	<u>2,041</u>
Total investments	<u>\$ 4,068,047</u>	<u>\$ 4,375,359</u>	<u>\$ 307,312</u>

The following schedule summarizes the investment return and its classification in the Statement of Activities for the years ended June 30, 2024 and 2023:

	June 30,	
	2024	2023
Investment income	<u>\$ 40,806</u>	<u>\$ 44,385</u>
Realized and unrealized net income (loss)	<u>\$ 386,831</u>	<u>\$ 109,346</u>

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

4. FAIR VALUE OF FINANCIAL STATEMENTS

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

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

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

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024.

Cash and Investments - The carrying amounts reported in the statement of position for cash and cash equivalents approximate its fair value.

DIOCESE OF LUBBOCK
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

4. FAIR VALUE OF FINANCIAL STATEMENTS (Continued)

Cash and Investments (Continued)

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

2024				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	<u>\$ 3,291,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,291,419</u>
Fixed income	-	833,393	-	833,393
Equity	1,483,132	-	-	1,483,132
Certificate of deposits	2,043,641	-	-	2,043,641
Real Estate	-	121,741	-	121,741
Total investments	<u>\$ 3,526,773</u>	<u>\$ 955,134</u>	<u>\$ -</u>	<u>\$ 4,481,907</u>

2023				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	<u>\$ 2,699,448</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,699,448</u>
Fixed income	-	862,205	-	862,205
Equity	738,917	-	-	738,917
Certificate of deposits	2,752,748	-	-	2,752,748
Real Estate	-	21,489	-	21,489
Total investments	<u>\$ 3,491,665</u>	<u>\$ 883,694</u>	<u>\$ -</u>	<u>\$ 4,375,359</u>

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

5. GRANTS RECEIVABLE

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Kenedy Memorial Foundation	\$ 403,000	\$ 282,000	\$ 232,000
Catholic Church Extension Society	54,375	61,500	-
Home Mission Grants	1,000	-	-
Other Grants	<u>750</u>	<u>-</u>	<u>-</u>
 Total grants receivable	 <u>\$ 459,125</u>	 <u>\$ 343,500</u>	 <u>\$ 232,000</u>

6. ACCOUNTS RECEIVABLE, PARISHES AND AFFILIATED ENTITIES

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

A summary of the accounts receivable, parishes, affiliated entities, and other and the related allowance for doubtful accounts at June 30, 2024, 2023, and 2022 as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Assessment to parished and affiliated entities			
Cathedraticum	\$ 123,379	\$ 133,379	\$ 180,376
Annual appeal	292,203	378,305	55,770
Priest Pension	8,603	6,077	9,687
Tribunal	5,910	4,675	4,525
Property insurance	142,578	11,907	-
Other	<u>171,100</u>	<u>143,847</u>	<u>145,362</u>
Total	743,773	678,190	395,720
Less allowance for doubtful accounts	<u>(262,000)</u>	<u>(524,000)</u>	<u>(250,000)</u>
Accounts receivable, parishes and affiliated entities, net	 <u>\$ 481,773</u>	 <u>\$ 154,190</u>	 <u>\$ 145,720</u>

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

7. LOANS RECEIVABLE AND DEPOSITS PAYABLE

The Deposit and Loan Division receives deposits from parishes and pays interest on these deposits at the rate of .75%, compounding daily. The funds from these deposits are loaned to other parishes at an average simple annual rate ranging from 3.5% to 5.0% or are invested in certificates of deposits and are due over various periods ranging from less than one year to five (5) years. The Central Administrative Office controls these funds and is liable for any fund deficits.

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<u>Loans receivable</u>			
Loans receivable at year end due in monthly installments, net	<u>\$ 446,120</u>	<u>\$ 164,921</u>	<u>\$ 192,666</u>
<u>Deposits Payable</u>			
Deposits payable to parishes, due on demand	<u>\$ 2,015,696</u>	<u>\$ 1,724,932</u>	<u>\$ 1,673,441</u>
Insurance Reserve	<u>\$ 73,313</u>	<u>\$ 73,313</u>	<u>\$ 73,313</u>

Future principal payments to be received are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2025	\$ 114,313
2026	89,227
2027	61,386
2028	63,126
2029	34,262
2030-2034	69,322
2035-2039	14,484
Total	<u>\$ 446,120</u>

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

8. LAND, BUILDINGS, AND EQUIPMENT

The composition of land, buildings, and equipment at June 30, 2024 and 2023, is as follows:

	Depreciable lives	2024	2023
Land		\$ 3,643,729	\$ 2,084,013
Buildings and improvements	50 years	7,559,505	4,119,221
Equipment	3-10 years	344,342	344,342
Furniture	5-10 years	107,943	107,943
Automotive	7 years	196,280	140,009
Software	5 years	132,216	132,216
Leasehold improvements	5 years	<u>1,886</u>	<u>1,886</u>
Total		11,985,901	6,929,630
Less: Accumulated depreciation		<u>(1,720,662)</u>	<u>(1,542,344)</u>
Land, buildings, and equipment, net		<u>\$ 10,265,239</u>	<u>\$ 5,387,286</u>

Depreciation expense at June 30 totaled \$196,325 and \$190,040 in 2024 and 2023, respectively.

9. LEASES

The Diocese has noncancelable operating leases for a mailing system machine and copier. Rental expense for leases consisted of \$25,618 and \$25,556 for the years ended June 30, 2024 and 2023, respectively.

Future minimum lease payments under the operating lease for the remaining terms as of June 30, 2024, are:

Year Ended June 30,	Amount
2025	\$ 14,908
2026	11,383
2027	7,174
2028	7,174
Thereafter	<u>1,760</u>
Future minimum lease payments	<u>\$ 42,399</u>

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

10. PENSION PLAN

The Diocese of Lubbock has a defined benefit pension plan covering any incardinated priests. The benefits are equal to a \$1,500 monthly annuity payable for life. The Diocese' funding policy is to contribute annually the amount to amortize the unfunded liability under 30 years.

The following table sets forth the plan's funded status at June 30, 2024 and 2023 (This represents a combination of the Actuary's Present Value of Future benefits compared to actual balance of assets available as of balance sheet date.):

	<u>2024</u>	<u>2023</u>
Present Value of Accumulated Benefits (as of June 30, 2023 and 2022)	\$ 4,365,659	\$ 3,899,993
Fair value of plan assets (as of June 30, 2023 and 2022)	<u>3,953,698</u>	<u>3,467,872</u>
Unfunded status of plan	<u>\$ 411,961</u>	<u>\$ 432,121</u>
Benefits paid	<u>\$ 343,487</u>	<u>\$ 324,188</u>

These amounts are included in the statement of financial position and the statement of activities for the subsequent reported years of 2024 and 2023.

The expected long-term rate of return on plan assets was 7.50% during 2024 and 2023.

The Diocese contributed \$130,841 and \$129,961 to the defined benefit pension plan in 2024 and 2023, respectively.

Total benefits paid to participants in 2024 and 2023 were \$343,487 and \$324,188, respectively.

The Diocese also provides its lay employees with a defined contribution 403(b) retirement plan (the Plan). The Diocese contributed \$44,757 and \$33,038, to the Qualified Retirement Plan during 2024 and 2023, respectively.

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2024 and 2023, consist of the following:

	<u>2024</u>	<u>2023</u>
Net assets with donor restrictions		
Time restriction	<u>\$ 459,125</u>	<u>\$ 343,500</u>

12. FUNCTIONAL CLASSIFICATION OF EXPENSES

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

DIOCESE OF LUBBOCK
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

12. FUNCTIONAL CLASSIFICATION OF EXPENSES (Continued)

The following table presents functional classification of expenses for June 30, 2024 and 2023:

2024						
	<u>Pastoral</u>	<u>Ministry</u>	<u>Gifting</u>	<u>Total Program/ Ministries</u>	<u>Management/ Administrative</u>	<u>Total</u>
Salaries, taxes and benefits	\$ 332,511	\$ 425,532	\$ -	\$ 758,043	\$ 1,471,081	\$ 2,229,124
Travel and meetings	300,988	13,452	-	314,440	96,972	411,412
Professional and contract services	13,958	74,217	-	88,175	183,368	271,543
Supplies and printing	76,114	13,650	191	89,955	57,427	147,382
Operational and program services	<u>201,873</u>	<u>832,217</u>	<u>313,281</u>	<u>1,347,371</u>	<u>657,054</u>	<u>2,004,425</u>
Total operating expense	<u>\$ 925,444</u>	<u>\$ 1,359,068</u>	<u>\$ 313,472</u>	<u>\$ 2,597,984</u>	<u>\$ 2,465,902</u>	<u>\$ 5,063,886</u>

2023						
	<u>Pastoral</u>	<u>Ministry</u>	<u>Gifting</u>	<u>Total Program/ Ministries</u>	<u>Management/ Administrative</u>	<u>Total</u>
Salaries, taxes and benefits	\$ 332,597	\$ 338,358	\$ -	\$ 670,955	\$ 1,308,958	\$ 1,979,913
Travel and meetings	193,920	14,294	-	208,214	87,624	295,838
Professional and contract services	7,556	72,438	-	79,994	199,832	279,826
Supplies and printing	78,176	14,534	352	93,062	88,461	181,523
Operational and program services	<u>178,493</u>	<u>886,840</u>	<u>194,600</u>	<u>1,259,933</u>	<u>844,827</u>	<u>2,104,760</u>
Total operating expense	<u>\$ 790,742</u>	<u>\$ 1,326,464</u>	<u>\$ 194,952</u>	<u>\$ 2,312,158</u>	<u>\$ 2,529,702</u>	<u>\$ 4,841,860</u>

13. CONTINGENCIES

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

As of June 30, 2024, The Central Administrative Office is contingently liable for all loans incurred by any parishes under its jurisdiction when the Bishop is guarantor on such debt.

The Diocese is guarantor on a loan in the name of St. John Neumann in the approximate amount of \$881,891.

DIOCESE OF LUBBOCK
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

13. CONTINGENCIES (Continued)

The Diocese is guarantor on a loan in the name of Our Lady of Grace in the approximate amount of \$975,572.

The Diocese is guarantor on a loan in the name of St. Elizabeth University Parish in the amount of \$371,374.

The Diocese is guarantor on a loan in the name of Holy Spirit Catholic Church in the approximate amount of \$347,131.

The Diocese is guarantor on a loan in the name of St. John the Baptist, Lubbock, in the approximate amount of \$1,656,025.

14. THE JOHN SALEH CHARITABLE FOUNDATION IREVOCABLE TRUST

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

In accordance with the trust agreement, a distribution of \$1,264,363 and of \$2,037,797 was received in 2024 and 2023, respectively. The distribution is recorded in the statement of activities in the gifts.

15. HEALTH CARE COVERAGE

During the year ended June 30, 2024 and in prior years, employees of the Diocese were covered by the Diocese's medical self-insurance plan (the Plan). The Plan is administered by an irrevocable trust, Catholic Employee Benefit Group (the Trust), created by four Diocese, including the Diocese of Lubbock, in the state of Texas. The Trust, which act as a consortium for the four Dioceses, was established to provide benefits for eligible employees and for payment of specified benefits expenses. Since the plan is an irrevocable trust, no investment is recorded on these financial statements.

If the plan were to terminate in the future, upon termination of the Trust, the trustee would hold the Trust Fund until the Trust is completely exhausted by paying benefits provided under the Plan and paying the reasonable expenses of the Trust, including expenses involved in the termination of the Trust. At June 30, 2024; the Trust had an equity balance of \$3,545,963 and during the fiscal year the Trust received payments from the members in the amount of \$10,165,351 and \$12,352,662 in 2024 and 2023, respectively. Claim expenses paid from the Trust were \$7,443,333 and 13,442,817 in 2024 and 2023, respectively.

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

DIOCESE OF LUBBOCK
CENTRAL ADMINISTRATIVE OFFICE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

15. HEALTH CARE COVERAGE (Continued)

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

There is an aggregate stop-loss amount in excess of \$150,000 in any given year. The liabilities reflected on the statement of position are an estimation of the medical self-insurance potential cost the plans may incur but have not reported claims.

These liabilities reported at June 30, 2024 are based on the requirements of Governmental Accounting Standards Board No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an estimation of the amount for claims that have been incurred but not reported.

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

At June 30, 2024 and 2023, funds reserved for health care plan potential cost of incurred but not reported claims in excess of Trust capacity to cover these claims are recorded as a liability of \$73,313.

During the year ended June 30, 2024, the Diocese received \$1,003,413 from the Trust as a refund of insurance premiums.

16. PROPERTY INSURANCE COVERAGE

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

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

DIOCESE OF LUBBOCK
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

17. PARISHES AND SCHOOLS

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

The Statements of Financial Position as of June 30, 2024 and 2023, has a gross receivable of \$415,582 and \$511,684, respectively for the Annual appeal and Cathedraticum identified in note 6.

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

The balance in the deposits payable as of June 30, 2024 and 2023, is \$2,015,696 and \$1,724,932, respectively.

The Diocese has provided certain Parishes with loans for the purpose of capital expansion. Amounts due to the Diocese at June 30, 2024 and 2023, respectively, was \$446,120 and \$164,921 and are included in loans receivable.

During 2024 and 2023, the Parishes and Schools' assessment for the Annual appeal/Cathedraticum was \$2,041,364 and \$2,772,457, respectively.

18. SUBSEQUENT EVENTS

The Diocese has evaluated subsequent events through December 20, 2024, the date on which the financial statements were available to be issued. No reportable items were noted.