

**CENTRAL OFFICE OF THE  
DIOCESE OF FORT WORTH**

**FINANCIAL STATEMENTS**

**JUNE 30, 2007**

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**WEAVER  
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TIDWELL**

*L.L.P.*

CERTIFIED PUBLIC  
ACCOUNTANTS  
AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

The Most Reverend Kevin Vann  
Bishop of the Diocese of Fort Worth

We have audited the accompanying statements of financial position of the Central Office of the Diocese of Fort Worth as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Office of the Diocese of Fort Worth as of June 30, 2007 and 2006, and the change in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

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July 10, 2008

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**CENTRAL OFFICE OF THE DIOCESE OF FORT WORTH  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2007 AND 2006**

	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 25,306,007	\$ 13,628,949
Accounts receivable - parishes and affiliates, net	826,427	725,404
Accrued interest receivable	301,609	328,377
Investments	10,701,413	9,389,645
Loans receivable	35,643,705	40,494,352
Due from affiliates	67,098	61,516
Other assets	342,054	325,979
Interest rate swap	15,181	32,201
Property held for future parish/school use	8,764,824	8,270,541
Property and equipment, net	3,865,144	3,890,247
<b>TOTAL ASSETS</b>	<b>\$ 85,833,462</b>	<b>\$ 77,147,211</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 2,559,548	\$ 1,988,640
Accrued liabilities	635,313	840,053
Funds held for others	511,791	145,642
Deposits payable	50,864,368	41,746,021
Unearned service fee revenue	299,971	159,113
Interest rate swap	21,425	5,792
Notes payable	8,658,257	10,778,579
Total liabilities	63,550,673	55,663,840
<b>Net assets</b>		
Unrestricted		
Undesignated	2,811,772	4,799,594
Designated for insurance reserve	2,500,191	2,458,202
Designated for quasi-endowment	7,935,042	6,985,167
Designated for loans to related entities	6,825,211	6,264,513
Total unrestricted	20,072,216	20,507,476
Temporarily restricted		
Capital grants	405,960	218,735
Sharing-In-Ministry annual case	878,533	516,760
Other	926,080	240,400
Total temporarily restricted	2,210,573	975,895
Total net assets	22,282,789	21,483,371
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 85,833,462</b>	<b>\$ 77,147,211</b>

The Notes to Financial Statements are an integral part of these statements.

**CENTRAL OFFICE OF THE DIOCESE OF FORT WORTH  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<b>2007</b>		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 98,101	\$ 5,346,969	\$ 5,445,070
Diocesan assessments	3,804,352	-	3,804,352
Program and service fees	4,198,822	-	4,198,822
Net investment income	1,738,760	-	1,738,760
Net investment gains (losses)	1,356,949	-	1,356,949
Interest on loans receivable	2,655,334	-	2,655,334
Interest rate swap	(32,653)	-	(32,653)
Other	89,565	-	89,565
Net assets released from restrictions	4,112,291	(4,112,291)	-
 Total revenue and support	 18,021,521	 1,234,678	 19,256,199
<b>EXPENSES</b>			
Program services:			
Education and formation	3,497,226	-	3,497,226
Grants	2,599,874	-	2,599,874
Pastoral services	969,005	-	969,005
Communication	519,988	-	519,988
Administrative and support services			
Benefit programs for parish, school and Diocesan employees	635,477	-	635,477
Diocesan administration	5,256,181	-	5,256,181
Insurance for all property in the Diocese	1,644,281	-	1,644,281
Deposit and Loan and other funds	3,029,096	-	3,029,096
Investment fees	40,687	-	40,687
Depreciation	264,966	-	264,966
 Total expenses	 18,456,781	 -	 18,456,781
 <b>CHANGES IN NET ASSETS</b>	 (435,260)	 1,234,678	 799,418
<b>NET ASSETS, BEGINNING OF YEAR</b>	 20,507,476	 975,895	 21,483,371
 <b>NET ASSETS, END OF YEAR</b>	 <u>\$ 20,072,216</u>	 <u>\$ 2,210,573</u>	 <u>\$ 22,282,789</u>

<b>2006</b>		
Unrestricted	Temporarily Restricted	Total
\$ 41,054	\$ 4,383,382	\$ 4,424,436
3,475,658	-	3,475,658
3,778,062	-	3,778,062
1,297,125	-	1,297,125
169,712	-	169,712
2,942,386	-	2,942,386
396,795	-	396,795
105,451	-	105,451
5,825,644	(5,825,644)	-
18,031,887	(1,442,262)	16,589,625
3,110,666	-	3,110,666
4,478,036	-	4,478,036
940,710	-	940,710
557,604	-	557,604
502,281	-	502,281
4,793,930	-	4,793,930
1,031,262	-	1,031,262
2,780,092	-	2,780,092
39,637	-	39,637
261,634	-	261,634
18,495,852	-	18,495,852
(463,965)	(1,442,262)	(1,906,227)
20,971,441	2,418,157	23,389,598
\$ 20,507,476	\$ 975,895	\$ 21,483,371

**CENTRAL OFFICE OF THE DIOCESE OF FORT WORTH  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 799,418	\$ (1,906,227)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) losses in market value	(1,356,949)	(169,712)
Depreciation	264,966	261,634
Interest rate swap	32,653	(396,795)
Grants for property held for investments	251,211	1,376,915
Increase in accounts receivable	(101,023)	(93,557)
Increase in accounts receivable - affiliate	(5,582)	(3,882)
Decrease in accrued interest receivable	26,768	229,981
Decrease (Increase) in other assets	(16,075)	16,143
Increase in accounts payable	570,908	1,210,415
Increase (Decrease) in accrued expenses	(204,740)	553,052
Increase (Decrease) in unearned service fee revenue	140,858	(140,001)
Increase (Decrease) in funds held for others	366,149	(151,393)
	768,562	786,573
Net cash provided by operating activities	768,562	786,573
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(210,999)	(350,979)
Proceeds from sale of property held for investment	418,614	-
Purchase of property held for investments	(1,192,972)	(513,833)
Payments for loans receivable	7,059,232	7,623,806
Advances on loans receivable	(2,208,585)	(4,797,376)
Sale of investments, net	45,181	469,274
	3,910,471	2,430,892
Net cash provided by investing activities	3,910,471	2,430,892
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash paid on deposits payable	(25,713,856)	(28,596,264)
Cash received for deposits payable	34,832,203	37,865,335
Borrowings on notes payable	73,507	189,000
Repayment of notes payable	(2,193,829)	(2,067,659)
	6,998,025	7,390,412
Net cash provided by financing activities	6,998,025	7,390,412
Net change in cash and cash equivalents	11,677,058	10,607,877
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	13,628,949	3,021,072
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 25,306,007	\$ 13,628,949
<b>Interest paid - deposits payable</b>	\$ 2,078,210	\$ 1,733,327
<b>Interest paid - notes payable</b>	\$ 501,318	\$ 596,207

**CENTRAL OFFICE OF THE DIOCESE OF FORT WORTH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Central Office of the Diocese of Fort Worth (the Central Office) provides certain administrative functions for the Diocese of Fort Worth (the Diocese). Included in these financial statements are the assets, liabilities, net assets and financial activities of certain program offices and departments of the Diocese that are fiscally responsible to the Bishop and referred to herein as the Central Office. The accompanying financial statements exclude the assets, liabilities, net assets and financial activities of the individual parishes, schools, Catholic Foundation of North Texas (the Foundation), and various Diocesan employee benefit plans that operate within the Diocese. Each of these affiliated entities, although ultimately responsible to the Bishop, is an operating entity distinct from the Central Office, maintains separate financial records, and carries on its own services and programs. In addition, various religious orders, lay societies, and religious organizations that operate within the Diocese, which are not fiscally responsible to the Bishop, have been excluded from the accompanying financial statements.

**Description of Programs**

The programs and administrative and support services of the Central Office are comprised of:

Education and Formation - Education continues to flourish in the parishes, schools and education centers in all corners of the Diocese. Supporting these programs are the various education and formation departments of the Central Office. They include: Adult Formation; Catholic Schools Office; Children, Youth and Young Adult Ministries; Seminarian Training; Deacon Formation; Vocations; Continuing Education for Clergy; Lay Ministry Training; and many others.

Grants - The Central Office assists parishes, schools and other ministries through capital and operating grants. The recipients are inner city or rural parishes or schools as well as Catholic Charities, school children needing tuition assistance, ministers furthering their education, social outreach programs and many others inside and outside of the Diocese.

Pastoral Services - Care of the whole family and each of its members continues to be a focus of the programs of the Central Office. These include: activities pertaining to Family Life; Chaplaincies for the Sick and Imprisoned; Care of Elderly and Infirm Priests; Peace and Justice outreach; and others.

Communication - The vehicles used to communicate with the people of the Diocese are newspaper, and an Internet web page. The North Texas Catholic bi-weekly newspaper continues to be the vital link to keep Catholics throughout the Diocese informed.



**CENTRAL OFFICE OF THE DIOCESE OF FORT WORTH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Description of Programs – Continued**

Administrative Support Services - The effectiveness of the ministries that are supported through the Central Office are dependent on the proper stewardship of the gifts of the thousands of Catholics throughout the Diocese. Administrative support of the Central Office and the parishes, schools and agencies is a very important part of the life of the Central Office. The support provided through departments such as Human Resources, Stewardship and Development, Planning, Fiscal Management, Tribunal, insurance programs, employee benefits, and many others are enabling the ministries and programs that touch and change the lives of Catholics throughout the Diocese.

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are measured at fair values in the Statement of Financial Position. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the Statement of Activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by the donor or law.

The Central Office invests in an investment pool that uses the market value unit method of accounting for investment transactions. Under this method, each fund is assigned a number of units based on the relationship of the market value of all investments at the time of entry into the pool. The pooled assets are revalued quarterly and new unit values are calculated. The unit value is used to determine the number of units to be allocated to new funds entering the pool, the allocation of recurring income, gains and losses, or to calculate the equity of funds withdrawing from the pool.

Property held for future parish/school use is recorded at cost and consists of property purchased by the Central Office that will be used by parishes and schools within the Diocese in the future. This property is typically purchased at cost from the Central Office by the parish or school. During 2007 and 2006, property with a cost of approximately \$251,000 and \$1,377,000, respectively, was sold to related parishes and schools, typically by making a loan or grant to the entity.

**Property and Equipment**

Property and equipment are stated at cost for purchased assets and fair market value (at date of contribution) for contributed assets. Major expenditures for property and those which substantially increase the useful lives of assets are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the accounts. Resulting gains or losses are included in the Statement of Financial Activities. The Central Office provides for depreciation of property and equipment using the straight-line method over estimated useful lives of the assets, ranging from 3 to 40 years.

**CENTRAL OFFICE OF THE DIOCESE OF FORT WORTH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Cash and Cash Equivalents**

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents are defined as cash on hand and on deposit in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to cash and have original maturities when acquired of three months or less. In addition, non cash financing and investing activities from 2007 and 2006 include the transfer of approximately \$251,000 and \$1,377,000, respectively, in property held for future use to related parishes and schools.

**Contributions**

Contributions are recognized when unconditional commitments are received and recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions.

When a donor restriction expires, (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donations of property, materials and services are recorded at fair value for donations having a measurable and objective basis for valuation. The Central Office recognizes contributed services received that require specialized skills, or that would enhance nonfinancial assets which would have been purchased, if not acquired through donation. The Central Office does not recognize revenue or expense associated with services contributed by religious personnel or volunteers since no objective basis is available to measure the value of such services. Several volunteers have donated significant amounts of time in the Central Office's programs and supporting services.

**Income Taxes**

The activities of the Central Office are exempt from Federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code, and the Central Office is not considered a private foundation. Accordingly, no provision for Federal income taxes has been made in the accompanying financial statements.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

**CENTRAL OFFICE OF THE DIOCESE OF FORT WORTH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Concentration of Credit and Market Risk**

Concentration of credit and market risk for the Central Office consists primarily of cash and money market funds, loans receivable and investments. The Central Office maintains its cash and money market accounts with quality financial institutions; however, for the years ended June 30, 2007 and June 30, 2006, the Central Office's deposits with financial institutions exceeded the limits insured by the FDIC. The Central Office has not experienced any losses on its deposits and believes that it is not exposed to any significant credit risk on cash. The Central Office's investments are not considered to represent significant concentrations of market risk because the portfolio is reasonably diversified among issuers. The loans receivable of the Central Office are primarily due from parishes and schools within the Diocese, and management of the Central Office closely monitors their financial position.

**Valuation of Accounts and Loans Receivable**

Accounts and loans receivable are due almost exclusively from affiliates of the Central Office. The Central Office does not extend credit unless management is reasonably certain the related amount will be repaid, and management periodically evaluates the related receivables and only records a reserve for uncollectability if ultimate collection appears doubtful. Account write-offs are posted against the allowance for doubtful accounts, and an expense is recorded only when the allowance is not sufficient to absorb a related write-off.

**NOTE 2. ACCOUNTS RECEIVABLE**

Accounts receivable for parishes and affiliates relates to amounts that the Central Office has paid on behalf of the related entities, or has billed them for various services provided on their behalf. The amounts are due primarily from parishes and schools within the Diocese.

The balance of accounts receivable - parishes and affiliates consists of the following at June 30:

	<u>2007</u>	<u>2006</u>
Accounts receivable	\$ 838,221	\$ 737,198
Less allowance for doubtful accounts	<u>11,794</u>	<u>11,794</u>
Net receivable balance	<u>\$ 826,427</u>	<u>\$ 725,404</u>

**CENTRAL OFFICE OF THE DIOCESE OF FORT WORTH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3. INVESTMENTS**

Investments in marketable securities are carried at market value and are comprised of the following at June 30:

	2007		
	Cost	Market Value	Carrying Value
Pooled investments:			
Short-term investment funds	\$ 708,546	\$ 708,546	\$ 708,546
Corporate bonds	199,846	200,292	200,292
Mutual funds	1,809,914	1,960,463	1,960,463
Equity securities	5,023,840	7,378,968	7,378,968
Other	453,144	453,144	453,144
	<u>\$ 8,195,290</u>	<u>\$ 10,701,413</u>	<u>\$ 10,701,413</u>

	2006		
	Cost	Market Value	Carrying Value
Pooled investments:			
Short-term investment funds	\$ 734,072	\$ 734,072	\$ 734,072
U. S. Government obligations	115,647	115,378	115,378
Corporate bonds	429,867	429,902	429,902
Mutual funds	2,003,561	2,106,085	2,106,085
Equity securities	4,362,575	5,618,060	5,618,060
Other	386,148	386,148	386,148
	<u>\$ 8,031,870</u>	<u>\$ 9,389,645</u>	<u>\$ 9,389,645</u>

Net investment gains (losses) are summarized as follows:

	2007	2006
Net realized gains	\$ 217,836	\$ 516,379
Net unrealized gains (losses)	1,139,113	(346,667)
Total net gains	<u>\$ 1,356,949</u>	<u>\$ 169,712</u>

Net investment income is summarized as follows:

	2007	2006
Pooled investment income, net	\$ 562,026	\$ 562,851
Interest on deposits	603,605	246,956
Other interest and dividend income	573,129	487,318
Total	<u>\$ 1,738,760</u>	<u>\$ 1,297,125</u>

**CENTRAL OFFICE OF THE DIOCESE OF FORT WORTH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4. LOANS RECEIVABLE**

The Central Office provides loans to parishes, schools and other entities within the Diocese for capital projects and various operating purposes. These loans generally have an interest rate of 7% at June 30, 2007 and 2006, and are due primarily in monthly installments. Interest income is recognized monthly based on the outstanding loan balance. Certain loans relating to real estate acquisitions by new parishes are allowed a five year exemption from interest and principal after dedication of the first building on the property.

The composition of loans receivable at June 30:

	<u>2007</u>	<u>2006</u>
Loans to parishes	\$ 15,931,904	\$ 19,658,514
Loans to schools	19,460,298	20,583,851
Loans to other Diocesan entities	<u>251,503</u>	<u>251,987</u>
	<u>\$ 35,643,705</u>	<u>\$ 40,494,352</u>

At June 30, 2007 and 2006, management of the Central Office believes all loans are fully collectible based on past experience and review of individual accounts. Accordingly, there is no allowance for potential losses recorded in the accompanying financial statements.

**NOTE 5. PROPERTY AND EQUIPMENT**

The composition of property and equipment at June 30:

	<u>2007</u>	<u>2006</u>
Land	\$ 1,299,826	\$ 1,299,826
Buildings	4,169,416	3,983,086
Equipment, furnishings and vehicles	<u>1,369,904</u>	<u>1,329,697</u>
	6,839,146	6,612,609
Less: accumulated depreciation	<u>2,974,002</u>	<u>2,722,362</u>
	<u>\$ 3,865,144</u>	<u>\$ 3,890,247</u>

**CENTRAL OFFICE OF THE DIOCESE OF FORT WORTH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6. DEPOSITS PAYABLE**

The Central Office receives deposits from parishes, schools and other entities within the Diocese; interest accrues on these deposits at a rate of 5.0% at June 30, 2007 and 2006, and the amounts are due on demand. The composition of deposits payable at June 30, is as follows:

	2007	2006
Deposits payable to parishes	\$ 27,196,717	\$ 21,888,195
Deposits payable to schools	23,025,155	19,478,113
Deposits payable to other entities	642,496	379,713
	<u>\$ 50,864,368</u>	<u>\$ 41,746,021</u>

Interest expense relating to deposits payable was \$2,078,210 and \$1,733,327 for the years ended June 30, 2007 and 2006, respectively, and is included as a component of Deposit and Loan and other funds expense in the accompanying financial statements.

**NOTE 7. NOTES PAYABLE**

The Central Office has a loan agreement with the City of Tatum, Texas Higher Education Facilities Corporation in the original principal amount of \$7,500,000 and a current balance of \$477,066 used to acquire land and construct buildings, facilities and improvement within the Diocese for educational purposes. The loan originated on January 1, 1998 and matures December 1, 2007. Terms of the loan require that payments be made quarterly in the amount of approximately \$241,000, including interest at a fixed rate of 4.45%. The loan is unsecured.

The Central Office also has a loan agreement with the City of Roman Forest in an original amount of \$9,500,000 and a current balance of \$5,019,385, which originated in 2002, the proceeds of which were used generally for the same purposes as noted above. Terms of the loan require that payments be made quarterly in an amount of \$315,623, equal to one-fourth (1/4) of the amount of principal that would be owing during the applicable year based on a ten year amortization at a rate equal to 5.265%. The stated rate on the note agreement fluctuates with the LIBOR rate and was approximately 5.12% at June 30, 2007 and 5.57% at June 30, 2006. The loan is unsecured and matures December 2011.

In 2005, the Central Office entered into an additional loan agreement with the City of Roman Forest in an original amount of \$3,500,000 and a current balance of \$2,923,289, the proceeds of which were used generally for the same purposes as noted above. Terms of the loan require that payments be made quarterly in an amount of \$102,809, equal to one-fourth (1/4) of the amount of principal that would be owing during the applicable year based on a ten year amortization at a rate equal to 4.60%. The stated rate on the note agreement fluctuates with the LIBOR rate and was approximately 4.71% at June 30, 2007 and 4.79% at June 30, 2006. The loan is unsecured and matures June 1, 2015.

**CENTRAL OFFICE OF THE DIOCESE OF FORT WORTH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7. NOTES PAYABLE – CONTINUED**

The loan agreements with the City of Roman Forest include an interest swap provision that effectively fixes the variable rate agreement. The swap was instituted to provide a fixed rate on the debt in order to provide known cash requirements not available with the floating rate.

The swap agreements are accounted for under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. SFAS No. 133 requires that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized in the statement of activities. Included in the statement of activities for the years ended June 30, 2007 and 2006 is a net loss of \$32,653 and a net gain of \$396,795, respectively, relating to the change in derivative value during each year. At June 30, 2007 and June 30, 2006, a liability for derivative instruments of \$6,244 and \$5,792, respectively, was recorded. The fair value of the interest rate swap has been estimated based upon available information and may change materially in the near-term based on changes in interest rates and other factors.

The Central Office has a 0% interest loan agreement with an individual in the original principal amount of \$50,000 and a current balance of \$40,833 to be used to benefit the members of Holy Family of Nazareth in Vernon, St. Joseph in Crowell, and St. Mary in Quanah by helping to provide housing for the new deacon relocating in the region. The loan originated on September 10, 2005 and matures August 10, 2015. Terms of the loan require that payments be made in monthly installments of \$417.

The Central Office has two interest loan agreements with a financial institution in the original and current principal amounts of \$88,292 and \$35,885 used for the acquisition of land and other real property. The loans originated on September 16, 2005 and December 15, 2005 and will mature September 16, 2015 and December 15, 2015. Terms of the loans require payments to be made in annual installments of \$13,438 and \$5,701, including interest at a fixed rate of 6.00% and 6.75%, respectively.

The Central Office has an unsecured \$3 million working capital line of credit with a bank (the "Credit"). The Credit was effective April 29, 2005 and no amounts were borrowed during fiscal 2006. The Central Office can borrow and repay on the Credit until April 30, 2008, at which time the outstanding balance will become due. Interest, on any outstanding balance, shall be accrued based on the Libor. The balance outstanding at June 30, 2007 was \$73,507.

Maturities of the loans in the years subsequent to June 30, 2007 are as follows:

2008	\$ 1,920,841
2009	1,430,486
2010	1,505,060
2011	1,583,878
Thereafter	<u>2,217,992</u>
	<u>\$ 8,658,257</u>

**CENTRAL OFFICE OF THE DIOCESE OF FORT WORTH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7. NOTES PAYABLE – CONTINUED**

Interest and amortization expense of \$950,886 and \$610,544 is included in Deposit and Loan and other funds in the accompanying financial statements for notes payable outstanding during 2007 and 2006, respectively.

**NOTE 8. PENSION PLANS**

Pension plans maintained by the Diocese cover eligible employees of the Central Office as well as those of parishes, schools and other affiliated entities. Assets of the plans are held in trust funds managed by independent third parties.

The defined benefit plans of the Diocese cover eligible employees as follows:

A noncontributory retirement plan that provides retirement benefits to eligible priests (the Priests' Plan). A priest becomes eligible to participate in the Priests' Plan in the month following his incardination. If a priest has served a minimum of seven years with the Diocese, he will be vested for retirement benefits. A priest's service is measured by his aggregate periods of service prior to his retirement date or earlier termination from the Priests' Plan.

A noncontributory retirement plan that provides retirement benefits for eligible employees (the Employee Plan). The Employee Plan covers all employees scheduled to work at least a thousand hours a calendar year who have five years of credited service for vesting status. Benefit payments are based upon a defined benefit formula determined by plan document provisions.

The Diocese charges the Central Office and other participating entities for pension costs based on a percentage of the subject entities' payroll. This rate is determined periodically by the Diocese based upon plan assets, liabilities, and other factors considered relevant by the Diocese. The ultimate obligation to fund these plans is the responsibility of the Diocese. The Central Office is responsible only to the extent of the assessment charged to it unless determined otherwise by the Diocesan Finance Council and the Bishop in the future.



**CENTRAL OFFICE OF THE DIOCESE OF FORT WORTH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9. INSURANCE PLANS**

The Central Office maintains a workers' compensation plan for the employees of Diocesan parishes, schools, and other affiliated entities (the participants) and a multi-peril insurance plan. Both plans are partially self-insured through a high deductible. The Central Office has a fully-insured plan for the health insurance needs of the participants. The Central Office acts as billing agent for the multi-peril insurance plan. The parishes and schools calculate the monthly premium for the workers compensation plan and remit to the Central Office. These calculations are made under parameters set by the Central Office and are reviewed periodically by the Central Office. The health insurance plan is administered by a third party and the Central Office does not participate in the billing of the premiums to the parishes and schools. Included in expenses are actual costs and claims paid plus management's estimates of any additional ultimate loss which may change materially in the near term.

**NOTE 10. COMMITMENTS AND CONTINGENCIES**

Included in accounts payable is a pledge in the original amount of \$120,000 made by the Central Office for a scholarship fund. \$30,000 is payable each year, continuing through 2007. The remaining pledge at June 30, 2006 was \$30,000. The pledge is recorded at the present value of future cash flows. As a result, a discount of \$2,477 has been recorded as of June 30, 2006. The pledge was paid in full during 2007.

In addition, the Central Office is involved in litigation incident to the operation of its business outside of the misconduct cases in Note 13. In the opinion of management, the ultimate resolution of these cases will not have a materially adverse effect on the Central Office's financial position.

**NOTE 11. DIOCESAN ASSESSMENTS**

The Central Office charges parishes of the Diocese an assessment on weekly offertory collections as a means to provide funds for the recurring operations of the Central Office. This assessment is calculated on a sliding scale of 1% to 9.5% of the gross offertory collections, based on the circumstances at each parish.

In addition, the Central Office assessed approximately \$159,000 and \$153,000 in 2007 and 2006, respectively to parishes that have students enrolled at Nolan High School.

**CENTRAL OFFICE OF THE DIOCESE OF FORT WORTH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 12. CLASSIFICATION OF NET ASSETS**

The accompanying financial statements include unrestricted net assets that have been designated for various purposes. A description of these designations is as follows:

Net assets designated for insurance reserves are funds that have been collected by the Central Office that are to be used to provide amounts necessary for unexpected claims in the future, or to reduce future premiums of Diocesan entities for various insurance coverage.

Net assets designated for quasi-endowment represent funds that have been identified by the Bishop to be invested by the Central Office.

Net assets designated for loans to related entities represent funds that are available to be loaned, or have been loaned, to various Diocesan entities.

The accompanying financial statements also include net assets that are temporarily restricted, based on various donor-imposed restrictions.

Net assets were released from donor restrictions by incurring expenses specified by donors as follows:

	2007	2006
Capital grants	\$ 218,735	\$ 2,225,465
Sharing in ministry annual care	2,308,494	2,251,822
Other	1,585,062	1,348,357
	<b>\$ 4,112,291</b>	<b>\$ 5,825,644</b>

**NOTE 13. LITIGATION**

In August and November 2006, the Central Office on behalf of the Diocese settled misconduct cases that were outstanding at June 30, 2006. Total costs of approximately \$935,000, net of insurance reimbursement were included in the accompanying 2006 financial statements. Accordingly, had it not been for the above noted cases, the decrease in net assets for the year ended June 30, 2006, would have been approximately \$971,000, rather than approximately \$1,906,000. In addition, two lawsuits were settled subsequent to June 30, 2007 and have been reflected in the financial statements.

Claims have been made by 14 claimants against the Diocese alleging misconduct against three separate priests. No lawsuit has been filed.

**CENTRAL OFFICE OF THE DIOCESE OF FORT WORTH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 13. LITIGATION – CONTINUED**

The Diocese has been named as a defendant in one lawsuit (1 plaintiff) alleging that the Diocese is responsible for alleged misconduct of a priest. Management of the Diocese believes based on consultation with its attorneys, the ultimate outcome of pending misconduct claims cannot be determined at this time. Accordingly, no provision for any liability that may result upon settlement has been recognized in the accompanying financial statements. This estimate is based on the information available; however, the liability for pending misconduct claims may change materially in the near term.

**NOTE 14. RELATED PARTY**

The Central Office is affiliated with the Foundation, as both are governed by the Diocese of Fort Worth. A total of \$67,098 and \$61,516 is due from the Foundation at June 30, 2007 and 2006, respectively, and is reflected as an asset in the accompanying financial statements. These amounts are primarily for withdrawals from the Catholic School Trust advanced by the Central Office.