

CATHOLIC FOUNDATION OF NORTH TEXAS

FINANCIAL STATEMENTS

JUNE 30, 2007

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**WEAVER
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L.L.P.

CERTIFIED PUBLIC
ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Catholic Foundation of North Texas

We have audited the accompanying statements of financial position of the Catholic Foundation of North Texas 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 Catholic Foundation of North Texas 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.

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July 10, 2008

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**CATHOLIC FOUNDATION OF NORTH TEXAS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 1,339,275	\$ 1,546,254
Accounts receivable	-	1,685
Investments:		
Marketable securities	38,075,973	33,710,489
Mineral interests	1,792,000	1,947,000
Land and buildings	107,939	107,887
Other assets	<u>155,644</u>	<u>135,378</u>
TOTAL ASSETS	<u>\$ 41,470,831</u>	<u>\$ 37,448,693</u>
LIABILITIES		
Accounts payable	\$ 30,221	\$ 835
Due to Central Office	67,098	61,516
Annuity obligations	376,254	368,712
Funds held for others	<u>13,387,911</u>	<u>12,379,060</u>
Total liabilities	<u>13,861,484</u>	<u>12,810,123</u>
NET ASSETS		
Unrestricted	1,223,389	995,079
Temporarily restricted	23,539,020	20,897,003
Permanently restricted	<u>2,846,938</u>	<u>2,746,488</u>
Total net assets	<u>27,609,347</u>	<u>24,638,570</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 41,470,831</u>	<u>\$ 37,448,693</u>

**CATHOLIC FOUNDATION OF NORTH TEXAS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	2007			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE AND SUPPORT				
Contributions	\$ 64,106	\$ 2,675	\$ 100,450	\$ 167,231
Net investment income	38,616	422,180	-	460,796
Net investment gains (losses)	118,040	3,153,800	-	3,271,840
Fees and related charges	3,040	-	-	3,040
Lease and rental income	77,218	-	-	77,218
Net assets released from restrictions	936,638	(936,638)	-	-
Total revenue and support	<u>1,237,658</u>	<u>2,642,017</u>	<u>100,450</u>	<u>3,980,125</u>
EXPENSES				
Program services:				
Administrative	159,114	-	-	159,114
Catholic Partnership Campaign	5,745	-	-	5,745
Grants	790,143	-	-	790,143
Financial services	54,346	-	-	54,346
Total expenses	<u>1,009,348</u>	<u>-</u>	<u>-</u>	<u>1,009,348</u>
CHANGES IN NET ASSETS	228,310	2,642,017	100,450	2,970,777
NET ASSETS, BEGINNING OF YEAR	<u>995,079</u>	<u>20,897,003</u>	<u>2,746,488</u>	<u>24,638,570</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,223,389</u></u>	<u><u>\$ 23,539,020</u></u>	<u><u>\$ 2,846,938</u></u>	<u><u>\$ 27,609,347</u></u>

2006

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 55,009	\$ 66,123	\$ 153,373	\$ 274,505
26,548	498,376	-	524,924
(64,351)	1,676,327	-	1,611,976
75,995	-	-	75,995
9,994	-	-	9,994
<u>1,307,446</u>	<u>(1,307,446)</u>	<u>-</u>	<u>-</u>
<u>1,410,641</u>	<u>933,380</u>	<u>153,373</u>	<u>2,497,394</u>
170,365	-	-	170,365
9,405	-	-	9,405
1,223,480	-	-	1,223,480
<u>129,337</u>	<u>-</u>	<u>-</u>	<u>129,337</u>
<u>1,532,587</u>	<u>-</u>	<u>-</u>	<u>1,532,587</u>
(121,946)	933,380	153,373	964,807
<u>1,117,025</u>	<u>19,963,623</u>	<u>2,593,115</u>	<u>23,673,763</u>
<u>\$ 995,079</u>	<u>\$ 20,897,003</u>	<u>\$ 2,746,488</u>	<u>\$ 24,638,570</u>

**CATHOLIC FOUNDATION OF NORTH TEXAS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 2,970,777	\$ 964,807
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Realized and unrealized gains in market value of investments	(3,271,840)	(1,611,976)
Increase in accounts receivable	1,685	(453)
Decrease in pledges receivable	-	1,310
Increase in other assets	(20,266)	(17,209)
Decrease in accounts payable	29,386	(10,970)
Increase in due to Central Office	5,582	3,882
Increase (decrease) in funds held for others	1,008,851	542,275
	<u>724,175</u>	<u>(128,334)</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment land	(52)	-
Sale (purchase) of investments, net	(938,644)	479,040
	<u>(938,696)</u>	<u>479,040</u>
Net cash provided by (used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of annuity obligations	(24,053)	(52,952)
Amounts received from annuitants	31,595	7,526
	<u>7,542</u>	<u>(45,426)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in cash and cash equivalents	(206,979)	305,280
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,546,254</u>	<u>1,240,974</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,339,275</u>	<u>\$ 1,546,254</u>

CATHOLIC FOUNDATION OF NORTH TEXAS NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Organization

The accompanying financial statements include the assets, liabilities, net assets and financial activities of the Catholic Foundation of North Texas (the Foundation), the Catholic Schools Trust, the Catholic Cemeteries Trust and the St. Joseph's Health Care Trust. The Trusts are governed by one board of trustees. Each of these affiliated entities of the Diocese of Fort Worth (the Diocese) is ultimately responsible to the Bishop.

The Foundation was established by the governance of the Diocese to receive and manage bequests, endowments and other resources as an additional means to provide support for the ministries and programs of the parishes, schools and other agencies of the Diocese.

The programs of the Foundation are comprised of:

Administrative - provides administrative reimbursement for the Central Office of the Diocese of Fort Worth (the Central Office) and other entities of the Diocese.

Catholic Partnership Campaign - a multi-year Diocesan capital campaign established to generate a long-term base of financial support for key pastoral priorities and programs. The fundraising portion of the campaign has ended, however, the Foundation has funds collected to be disbursed at June 30, 2006.

Grants - grant of funds to agencies, primarily within the Diocese, to further their programs and goals which are similar to those of the Diocese.

Financial Services - provides accounting, property management, and other financial affairs for the Foundation.

The Catholic Schools Trust (the Schools Trust) was established by the Diocese to receive, manage, invest, and distribute properties, assets, and monies given to the Diocese for the use and benefit of the schools that are a part of the Diocese and for religious and educational purposes in the Diocese.

The Catholic Cemeteries Trust (the Cemeteries Trust) was established by the Diocese to receive, manage, invest, and distribute properties, assets, and monies given to the Diocese for the use and benefit of cemeteries, which are a part of the Diocese.

The St. Joseph's Health Care Trust (Health Trust) was established to receive, manage, invest and distribute properties, assets and monies given to the Diocese for the use and benefit of health care programs in the Diocese.

**CATHOLIC FOUNDATION OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 Foundation invests some of its assets in an investment pool that uses the market value unit method of accounting for investment transactions. Under this method, each fund or Diocesan entity 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.

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.

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 Foundation 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 Foundation 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 Foundation's programs and supporting services.

**CATHOLIC FOUNDATION OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes

The activities of the Foundation are exempt from Federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code, and the Foundation 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 expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit and Market Risk

Concentration of credit and market risk for the Foundation consists primarily of cash, money market funds, and investments. The Foundation maintains its cash and money market accounts with quality financial institutions; however, for the years ended June 30, 2007 and 2006 and at June 30, 2007 and 2006 the Foundation's deposits with financial institutions exceeded the limits insured by the FDIC. The Foundation has not experienced any losses on its deposits that have been in excess of the FDIC limits. Management does not believe that it is subject to any significant credit risk on cash. The Foundation's investments are not considered to represent significant concentrations of market risk because the portfolio is reasonably diversified among issuers.

**CATHOLIC FOUNDATION OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2. INVESTMENTS

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

	2007		
	Cost	Market Value	Carrying Value
Short-term investment funds	\$ 2,061,523	\$ 2,061,523	\$ 2,061,523
Government obligations	1,003,753	982,936	982,936
Corporate bonds	2,340,451	2,325,977	2,325,977
Equity securities	16,241,689	23,169,474	23,169,474
Mutual funds	8,647,059	9,453,696	9,453,696
Other	<u>756,099</u>	<u>82,367</u>	<u>82,367</u>
	<u>\$ 31,050,574</u>	<u>\$ 38,075,973</u>	<u>\$ 38,075,973</u>
	2006		
	Cost	Market Value	Carrying Value
Short-term investment funds	\$ 2,109,136	\$ 2,109,136	\$ 2,109,136
Government obligations	1,714,557	1,676,661	1,676,661
Corporate bonds	2,670,648	2,650,309	2,650,309
Equity securities	15,009,735	18,696,715	18,696,715
Mutual funds	7,939,961	8,479,043	8,479,043
Other	<u>772,357</u>	<u>98,625</u>	<u>98,625</u>
	<u>\$ 30,216,394</u>	<u>\$ 33,710,489</u>	<u>\$ 33,710,489</u>

Investments in mineral interests are recorded at estimated market values, based on projected future cash flows. Investments in land and buildings are recorded at cost.

Net investment gains are summarized as follows:

	2007	2006
Net realized gains	\$ 1,363,598	\$ 1,300,666
Net unrealized gains	<u>1,908,242</u>	<u>311,310</u>
Total gains	<u>\$ 3,271,840</u>	<u>\$ 1,611,976</u>

Investment income is presented net of expenses of approximately \$144,000 and \$141,000 for the years ended June 30, 2007 and 2006, respectively.

**CATHOLIC FOUNDATION OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3. ANNUITY OBLIGATIONS

Annuity obligations represent the actuarially determined liability resulting from the receipt of various annuity gifts by the Foundation.

The present value of the liability resulting from the receipt of an annuity gift is recorded at the date of the gift. The payments to the annuitant are determined based on valuation tables published by the "Committee on Gift Annuities", a nationally recognized organization. Since the Foundation is underwriting the annuities, it is liable for full funding of each annuitant's benefits. This liability is remeasured annually and any adjustment necessary is recognized in the Statement of Activities.

The activity in the annuity obligations account for the year ended June 30:

	<u>2007</u>	<u>2006</u>
Balance at beginning of year	\$ 368,712	\$ 414,138
Liability recorded for additional gifts	31,595	7,526
Payments to annuitants, net of investment expense	<u>(24,053)</u>	<u>(52,952)</u>
Balance at end of year	<u>\$ 376,254</u>	<u>\$ 368,712</u>

NOTE 4. FUNDS HELD FOR OTHERS

Funds held for others primarily relates to amounts that the Foundation is managing for the School's Trust, the Cemeteries Trust and various parishes and affiliated entities of the Diocese. These amounts are recorded at their determinable fair value as of June 30, 2007 and 2006 and are also included as a component of investments or pledges receivable in the accompanying financial statements. The composition of funds held for others at June 30:

	<u>2007</u>	<u>2006</u>
The School's Trust	\$ 8,722,123	\$ 7,895,544
The Cemeteries Trust	1,133,885	976,317
Parishes and Schools of the Diocese	2,279,661	2,706,676
Other	<u>1,252,242</u>	<u>800,523</u>
	<u>\$ 13,387,911</u>	<u>\$ 12,379,060</u>

**CATHOLIC FOUNDATION OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. CLASSIFICATION OF NET ASSETS

The accompanying financial statements include net assets that are temporarily restricted, based on various donor-imposed and time restrictions. A summary of these restricted net assets as of June 30:

	<u>2007</u>	<u>2006</u>
Catholic Partnership Campaign	\$ 2,077,866	\$ 1,902,326
Seminarian support	1,871,432	1,366,841
School's Trust	751,795	635,097
Quasi - endowment	790,184	704,314
Health care	<u>18,047,743</u>	<u>16,288,425</u>
	<u>\$ 23,539,020</u>	<u>\$ 20,897,003</u>

Net assets were released from restrictions by incurring expenses satisfying the purpose restrictions as follows:

	<u>2007</u>	<u>2006</u>
Catholic Partnership Campaign	\$ 5,745	\$ 9,405
Seminarian support	219,449	203,190
School's Trust	140,476	77,154
Quasi - endowment	36,759	35,551
Health care	<u>534,209</u>	<u>982,146</u>
	<u>\$ 936,638</u>	<u>\$ 1,307,446</u>

Permanently restricted net assets are endowment funds restricted in perpetuity to support the education of seminarians. Income generated by these assets are designated for support of seminarians.

NOTE 6. RELATED PARTY

The Foundation is affiliated with the Central Office, as both are governed by the Diocese of Fort Worth. The Central Office provides certain administrative services to the Foundation. A total of \$67,098 and \$61,516 is due to the Central Office as of June 30, 2007 and 2006, respectively; primarily for advances made by the Central Office to be paid out of the pooled investments for seminarian support.