

**CATHOLIC FOUNDATION
OF NORTH TEXAS**

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2008



CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
<hr/>	
AUDITED FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5





R|C|O RYLANDER, CLAY & OPITZ, LLP
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Catholic Foundation of North Texas
Fort Worth, Texas

We have audited the accompanying statement of financial position of the Catholic Foundation of North Texas (the "Foundation") as of June 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Foundation's 2007 financial statements, which were audited by other auditors whose report, dated July 10, 2008, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides 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, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Rylander, Clay & Opitz, LLP

March 19, 2009

CATHOLIC FOUNDATION OF NORTH TEXAS

STATEMENTS OF FINANCIAL POSITION

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 60,844	\$ 1,339,275
Accounts receivable	1,261,966	133,581
Investments		
Marketable securities	35,265,391	38,075,973
Mineral interest	2,103,750	1,792,000
Land and buildings	42,979	107,939
Other assets	175,108	155,644
	<u>38,910,038</u>	<u>41,604,412</u>
Total assets	\$ 38,910,038	\$ 41,604,412
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 354,412	\$ 163,802
Due to Central Office	62,244	67,098
Annuity obligations	285,523	376,254
Funds held for others	11,965,694	13,387,911
	<u>12,667,873</u>	<u>13,995,065</u>
Total liabilities	12,667,873	13,995,065
Net Assets		
Unrestricted	1,922,428	1,223,389
Temporarily restricted	21,299,432	23,539,020
Permanently restricted	3,020,305	2,846,938
	<u>26,242,165</u>	<u>27,609,347</u>
Total net assets	26,242,165	27,609,347
	<u>\$ 38,910,038</u>	<u>\$ 41,604,412</u>
Total liabilities and net assets	\$ 38,910,038	\$ 41,604,412

See notes to financial statements.



CATHOLIC FOUNDATION OF NORTH TEXAS

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2008 with comparative total for 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2008	2007
Revenue and other support					
Contributions	\$ 951,641	\$ 239,834	\$ 173,367	\$ 1,364,842	\$ 167,231
Investment income, net	12,988	745,074	-	758,062	460,796
Net realized and unrealized gain (loss)	(374,104)	(1,289,388)	-	(1,663,492)	3,426,840
Unrealized gain (loss) on mineral interest	311,750	-	-	311,750	(155,000)
Fees and related charges	2,395	-	-	2,395	77,218
Lease and rental income	83,048	-	-	83,048	3,040
Loss on sale of land	(24,597)	-	-	(24,597)	-
Net assets released from restrictions	1,935,108	(1,935,108)	-	-	-
Total revenue and other support	2,898,229	(2,239,588)	173,367	832,008	3,980,125
Expenses					
Program services					
Administrative	25,109	-	-	25,109	159,114
Catholic Partnership Campaign	1,022,369	-	-	1,022,369	5,745
Grants	1,024,420	-	-	1,024,420	790,143
Financial services	127,292	-	-	127,292	54,346
Total expenses	2,199,190	-	-	2,199,190	1,009,348
Change in net assets	699,039	(2,239,588)	173,367	(1,367,182)	2,970,777
Net assets at beginning of year	1,223,389	23,539,020	2,846,938	27,609,347	24,638,570
Net assets at end of year	\$ 1,922,428	\$ 21,299,432	\$ 3,020,305	\$ 26,242,165	\$ 27,609,347

See notes to financial statements.



CATHOLIC FOUNDATION OF NORTH TEXAS

STATEMENTS OF CASH FLOWS Years Ended June 30, 2008 and 2007

	2008	2007
Cash Flows from Operating Activities		
Change in net assets	\$ (1,367,182)	\$ 2,970,777
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net realized and unrealized (gain) loss	1,663,492	(3,426,840)
Unrealized (gain) loss on mineral interest	(311,750)	155,000
Investment expense of annuity obligations	36,215	40,306
Loss on sale of land	24,597	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(1,128,385)	1,685
Increase in other assets	(19,464)	(20,266)
Increase in accounts payable	190,610	29,386
Increase (decrease) in due to Central Office	(4,854)	5,582
Increase (decrease) in funds held for others	(1,422,217)	1,008,851
Net cash provided (used) by operating activities	(2,338,938)	764,481
Cash Flows from Investing Activities		
Purchase of land	(40)	(52)
Proceeds from sale of land	40,403	-
Purchase of marketable securities	(32,489,047)	(938,644)
Proceeds from the sale of marketable securities	33,636,137	-
Net cash provided (used) by investing activities	1,187,453	(938,696)
Cash Flows from Financing Activities		
Payment of annuity obligations	(137,249)	(64,359)
Amounts received on annuity obligations	10,303	31,595
Net cash used by financing activities	(126,946)	(32,764)
Net decrease in cash and cash equivalents	(1,278,431)	(206,979)
Cash and cash equivalents at beginning of year	1,339,275	1,546,254
Cash and cash equivalents at end of year	\$ 60,844	\$ 1,339,275

See notes to financial statements.



CATHOLIC FOUNDATION OF NORTH TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements include the assets, liabilities, net assets and financial activities of the Catholic Foundation of North Texas, the Catholic Schools Trust, the Catholic Cemeteries Trust and the St. Joseph's Health Care Trust (collectively, the "Foundation"). The Trusts are governed by one board of trustees. Each of these affiliated entities of the Catholic 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 consist of:

Administrative – provides administrative reimbursement for the Central Office of the Catholic 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 collected funds to be disbursed at June 30, 2008.

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 assistance 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 (the "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. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from these estimates.

Cash and Cash Equivalents

The Foundation considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are due almost exclusively from affiliates of the Foundation. Management periodically evaluates the related receivables and only records a reserve for uncollectability if ultimate collection appears doubtful.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income and realized and unrealized gains or losses are 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 a portion 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 withdrawn from the pool.

Recognition of Donor Restrictions

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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Materials and Services

Donated materials are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. No significant amounts have been reflected in the statements for donated services as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the Foundation.



CATHOLIC FOUNDATION OF NORTH TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation.

Supporting Services

Administrative and fundraising costs related to the Foundation are jointly associated with the Central Office. There is no reasonable basis for estimating the direct cost associated with supporting services for the Foundation for the years ended June 30, 2008 and 2007.

Reclassifications

Certain items in 2007 have been reclassified for comparative purposes with 2008 presentation.

Recent Accounting Pronouncement

In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes financial statement recognition and measurement criteria for tax positions taken or expected to be taken on a tax return including positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. If there are changes in net assets as a result of application of FIN 48 these will be accounted for as an adjustment to the opening balance of net assets. Additional disclosures about the amounts of such liabilities will be required also.

The Foundation presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, Accounting for Contingencies. The Foundation has elected to defer the application of Interpretation 48 in accordance with FASB Staff Position (FSP) FIN 48-3. This FSP defers the effective date of Interpretation 48 for nonpublic entities, such as the Foundation, included within its scope to the annual financial statements for fiscal years beginning after December 15, 2008. The Foundation will be required to adopt FIN 48 in its 2010 annual financial statements. Management has not assessed the impact of FIN 48 on its financial position and change in net assets and has not determined if the adoption of FIN 48 will have a material effect on its financial statements.



CATHOLIC FOUNDATION OF NORTH TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 2. INVESTMENTS

Investments in marketable securities are carried at market value and consist of the following at June 30, 2008:

	2008		2007	
	Market Value	Cost	Market Value	Cost
Short-term funds	\$ 2,258,536	\$ 2,258,536	\$ 2,061,523	\$ 2,061,523
Fixed Income	368,066	349,731	3,308,913	3,344,204
Equity securities	20,177,762	18,130,627	23,169,474	16,241,689
Mutual funds	12,460,617	12,714,962	9,453,696	8,647,059
Other	410	410	82,367	756,099
	<u>\$ 35,265,391</u>	<u>\$ 33,454,266</u>	<u>\$ 38,075,973</u>	<u>\$ 31,050,574</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 realized and unrealized gain (loss) is summarized as follows:

	2008	2007
Net realized gain	\$ 2,599,010	\$ 1,363,598
Net unrealized gain (loss)	(4,262,502)	2,063,242
Net realized and unrealized gain (loss)	<u>\$ (1,663,492)</u>	<u>\$ 3,426,840</u>

Investment income is presented net of expenses of approximately \$230,000 and \$144,000 for the years ended June 30, 2008 and 2007, respectively.

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 underwrites 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 years ended June 30, 2008 and 2007 follows:

	2008	2007
Balance at beginning of year	\$ 376,254	\$ 368,712
Liability recorded for additional gifts	10,303	31,595
Investment expense of annuity obligations	36,215	40,306
Payments to annuitants	(137,249)	(64,359)
Balance at end of year	<u>\$ 285,523</u>	<u>\$ 376,254</u>



CATHOLIC FOUNDATION OF NORTH TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 4. FUNDS HELD FOR OTHERS

Funds held for others primarily relates to amounts that the Foundation manages for the Schools Trust, the Cemeteries Trust, and various parishes and affiliated entities of the Diocese. These amounts are recorded at their determinable fair values at June 30, 2008 and 2007, and reported as a component of investments or pledges receivable in the accompanying financial statements.

Funds held for others consist of the following at June 30, 2008 and 2007:

	2008	2007
The Schools Trust	\$ 8,212,525	\$ 8,722,123
The Cemeteries Trust	1,032,025	1,133,885
Parishes and Schools of the Diocese	2,334,559	2,480,889
Other	386,585	1,051,014
	<u>\$ 11,965,694</u>	<u>\$ 13,387,911</u>

NOTE 5. RESTRICTIONS ON ASSETS

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

A summary of temporarily restricted net assets at June 30, 2008 and 2007 follows:

	2008	2007
Catholic Partnership Campaign	\$ 1,075,901	\$ 2,077,866
Seminarian support	1,233,720	1,871,432
Schools Trust	667,922	751,795
Quasi – endowment	701,434	790,184
Healthcare	17,620,455	18,047,743
	<u>\$ 21,299,432</u>	<u>\$ 23,539,020</u>

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

	2008	2007
Catholic Partnership Campaign	\$ 1,154,245	\$ 5,745
Seminarian support	233,312	219,449
Schools Trust	63,995	140,476
Quasi – endowment	38,680	36,759
Healthcare	444,876	534,209
	<u>\$ 1,935,108</u>	<u>\$ 936,638</u>

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



CATHOLIC FOUNDATION OF NORTH TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RELATED PARTY

The Foundation is affiliated with the Central Office, as both are governed by the Diocese. The Central Office provides certain administrative services to the Foundation. A total of \$62,244 and \$67,098 is due to the Central Office at June 30, 2008 and 2007, respectively, primarily for advances made by the Central Office to be paid out of the pooled investments for seminarian support.

NOTE 7. SUBSEQUENT EVENT

Subsequent to June 30, 2008, financial markets in the United States of America and foreign countries incurred substantial losses. At June 30, 2008, the Foundation owns investments with an estimated fair value of \$35,265,391, including domestic securities. Because of inherent uncertainties in estimating the fair value of financial instruments, it is at least reasonably possible that the estimates used will change within the near term.

