Central Office of the Catholic Diocese of Fort Worth

Financial Report
June 30, 2024

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Independent Auditor's Report

Most Reverend Michael F. Olson
Central Office of the Catholic Diocese of Fort Worth

Opinion

We have audited the financial statements of the Central Office of the Catholic Diocese of Fort Worth (the Central Office) which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Central Office of the Catholic Diocese of Fort Worth as of June 30, 2024, and the changes in its net assets, functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Central Office and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Central Office's ability to continue as a going concern for one year after the date that the financial statements are issued (or, when applicable, 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 GAAS 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 GAAS, 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 Central 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 Central 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
November 25, 2024

Central Office of the Catholic Diocese of Fort Worth

Statement of Financial Position

June 30, 2024

ASSETS		
Cash and cash equivalents	$	41,426,330
Restricted cash		150,000
Accounts receivable, affiliates		4,752,008
Accrued interest receivable		6,191,431
Other assets		825,986
Loans receivable, affiliates, net		43,772,701
Investments		15,763,043
Beneficial interest in a perpetual trust		1,509,071
Property held for future parish/school use		5,924,376
Property and equipment, net		7,525,520
Right-of-use assets, operating leases		111,076
Total assets	$	127,951,542
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$	1,654,502
Accrued expenses		989,921
Claims liability		317,669
Funds held for others		647,546
Deposits payable, affiliates		80,555,565
Notes payable		20,104,966
Operating lease liabilities		103,026
Total liabilities		104,373,195
NET ASSETS		
Without donor restrictions		21,564,080
With donor restrictions		2,014,267
Total net assets		23,578,347
TOTAL LIABILITIES AND NET ASSETS	$	127,951,542

The Notes to Financial Statements
are an integral part of this statement.

Central Office of the Catholic Diocese of Fort Worth

Statement of Activities

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	$ 78,114	$ 2,701,908	$ 2,780,022
Diocesan assessments	11,485,450	-	11,485,450
Program and service fees	5,253,820	-	5,253,820
Investment return, net of fees	1,819,843	-	1,819,843
Net realized and unrealized gain on investments	1,528,674	-	1,528,674
Change in value of beneficial interest in perpetual trust	-	181,422	181,422
Interest on loans receivable, affiliates	296,762	-	296,762
Loss on sale of assets	(5,872)	-	(5,872)
Other	184,560	-	184,560
Net assets released from restrictions	2,926,315	(2,926,315)	-
Total revenues and other support	23,567,666	(42,985)	23,524,681
EXPENSES			
Program services			
Education and formation services	2,914,537	-	2,914,537
Pastoral services	7,157,061	-	7,157,061
Communication services	1,144,864	-	1,144,864
Administrative and support services	10,439,044	-	10,439,044
Total expenses	21,655,506	-	21,655,506
Change in net assets	1,912,160	(42,985)	1,869,175
NET ASSETS, beginning of year	19,651,920	2,057,252	21,709,172
NET ASSETS, end of year	$ 21,564,080	$ 2,014,267	$ 23,578,347

The Notes to Financial Statements are an integral part of this statement.

Central Office of the Catholic Diocese of Forth Worth

Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services				Supporting Services	All Services Total
	Education and Formation Services	Pastoral Services	Communication Services	Program Services Total	Administrative and Support Services Total	Total
Salaries and wages	$ 1,502,209	$ 1,498,555	$ 542,276	$ 3,543,040	$ 2,593,447	$ 6,136,487
Payroll taxes	103,381	114,077	39,289	256,747	180,774	437,521
Benefits, education and allowances	338,462	1,821,225	123,070	2,282,757	499,123	2,781,880
Insurance	11,880	104,364	-	116,244	2,623,568	2,739,812
Services and professional fees	53,348	465,691	120,519	639,558	1,567,488	2,207,046
Other program services	205,741	110,372	500	316,613	9,743	326,356
Interest	-	-	-	-	1,151,280	1,151,280
Systems and software	2,805	9,690	31,658	44,153	376,286	420,439
Staff development and recognition	34,296	828,485	987	863,768	7,555	871,323
Rent, utilities and other	175,100	168,066	36,652	379,818	206,151	585,969
Third-party assessments	-	199,784	-	199,784	-	199,784
Membership, dues and subscriptions	7,689	12,534	150,725	170,948	21,515	192,463
Meetings and seminars	37,691	36,945	514	75,150	7,227	82,377
Program materials	82,605	39,530	1,718	123,853	8,669	132,522
Repairs and maintenance	11,112	11,802	-	22,914	109,204	132,118
Travel	75,122	225,186	6,984	307,292	28,914	336,206
Postage	2,107	21,186	63,197	86,490	4,526	91,016
Events and activities	84,053	286,927	-	370,980	815	371,795
Printing and copying	9,610	10,159	6	19,775	7,169	26,944
Supplies	32,512	29,138	14,373	76,023	47,648	123,671
Licenses and fees	1,092	9,687	-	10,779	32,912	43,691
Property taxes	-	-	-	-	26,484	26,484
Bank fees	17,267	157	-	17,424	10,066	27,490
Advertising and promotion	2,727	2,850	474	6,051	-	6,051
Grants	105,406	1,112,350	-	1,217,756	661,359	1,879,115
Depreciation	18,322	38,301	11,922	68,545	257,121	325,666
TOTAL EXPENSES	$ 2,914,537	$ 7,157,061	$ 1,144,864	$ 11,216,462	$ 10,439,044	$ 21,655,506

The Notes to Financial Statements
are an integral part of this statement.

Central Office of the Catholic Diocese of Forth Worth

Statement of Cash Flows
Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 1,869,175
Adjustments to reconcile change in net assets to net cash used in operating activities	
Net realized and unrealized gain on investments	(1,528,674)
Change in value of beneficial interest in perpetual trust	(181,421)
Depreciation and amortization	325,666
Loss on disposal of assets	5,872
Right-of-use asset, operating lease amortization	68,111
Changes in operating assets and liabilities:	
Accounts receivable, affiliates	429,455
Accrued interest receivable	(802,099)
Other assets	101,907
Accounts payable	35,153
Accrued expenses	81,611
Claims liability	(314,806)
Funds held for others	(594,344)
Operating lease liabilities	(74,061)
Net cash used in operating activities	(578,455)
CASH FLOWS FROM INVESTING ACTIVITIES	
Change in cash surrender value of life insurance	(8,658)
Receipts on loans receivable, affiliates	26,273,724
Advances on loans receivable, affiliates	(29,229,382)
Proceeds from sale of investments	1,782,915
Purchase of investments	(2,130,248)
Purchase of property and equipment	(182,887)
Net cash used in investing activities	(3,494,536)
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash paid on deposits payable, affiliates	(29,205,803)
Cash received for deposits payable, affiliates	32,394,727
Repayment of notes payable	(914,283)
Net cash provided by financing activities	2,274,641
Net change in cash and cash equivalents	(1,798,350)
CASH AND CASH EQUIVALENTS, beginning of year	43,374,680
CASH AND CASH EQUIVALENTS, end of year	$ 41,576,330
SUPPLEMENTAL CASH FLOW INFORMATION	
Interest paid on deposits payable	$ 1,160,021
Interest paid on note payable	$ 697,963
NON-CASH OPERATING AND FINANCING ACTIVITIES	
Right-of-use operating lease assets obtained in exchange for lease liabilities	$ 136,459
CASH AND CASH EQUIVALENTS RECONCILIATION	
Cash	$ 41,426,330
Restricted Cash	150,000
	$ 41,576,330

The Notes to Financial Statements
are an integral part of this statement.

Note 1. Summary of Significant Accounting Policies

Nature of Operations

The Central Office of the Catholic Diocese of Fort Worth (the Central Office) provides certain administrative functions for the Catholic 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. The accompanying financial statements exclude the assets, liabilities, net assets, and financial activities of the individual parishes, schools, Catholic Diocese of Fort Worth Advancement 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.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, which is in conformity with accounting principles generally accepted in the United States of America (GAAP).

Description of Programs

The programs and administrative support services of the Central Office consist of:

<u>Education and Formation</u>: 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; Lay Ministry Training; Family Life; Catechetical and many others.

<u>Pastoral Services</u>: 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 Chaplaincies for the Sick and Imprisoned; Care of Elderly and Infirm Priests; Tribunal; Seminarian Training; Deacon Formation; Vocations; Continuing Education for Clergy and others.

<u>Communications</u>: The vehicles used to communicate with the people of the Diocese are a magazine, an internet web page and social media. The North Texas Catholic bi-monthly magazine continues to be the vital link to keep Catholics throughout the Diocese informed.

<u>Administrative and Support Services</u>: The effectiveness of the ministries that are supported through the Central Office is dependent on the proper stewardship of the gifts of the thousands of Catholics throughout the Diocese. Administrative support of the Central Office and 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, Property Management and Construction, Finance and Administrative Services and Safe Environment, as well as insurance programs, employee benefits, and many others enable the ministries and programs to touch and change the lives of Catholics throughout the Diocese.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Central Office considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2024, the Central Office did not have any assets that met this definition.

The Central Office's cash accounts exceeded federally insured limits by approximately $41,326,000 for the year ended June 30, 2024.

At June 30, 2024, the Central Office has restricted cash of $150,000 held in a separate bank account as collateral against the unused letter of credit available for the same amount as required by their workers compensation insurance claims administrator. These funds are to be used to pay for any insurance claims for which the Central Office self-insures that come due in the event that the Central Office does not have sufficient funds to cover those claims. Effective July 1, 2024, this letter of credit matured, and it was not renewed.

Investments and Net Investment Return

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; less external investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the average cost method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as revenue with donor restrictions and then released from restrictions. Other investment return is reflected in the statement of activities in net assets with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Central Office maintains pooled investment accounts. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual accounts based on the relationship of the fair value of the interest of each account to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Beneficial Interest in a Perpetual Trust

The Central Office was named as a beneficiary of a perpetual charitable trust held and administered by an independent trustee in 2000. The beneficial interest in perpetual trust is measured at fair value of the underlying assets held by the trust.

Accounts Receivable

Accounts receivable are due almost exclusively from affiliates of the Central Office including parishes and schools. Accounts receivable are stated at the amount of consideration from affiliates, of which the Central Office has an unconditional right to receive. The Central Office provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 25 days after the issuance of the invoice. Delinquent receivables are written off only after collections efforts have been made and decisions are based upon specific circumstances of the affiliates.

The Central Office assesses the need for an allowance for doubtful accounts for affiliates based on a variety of factors, including the financial condition of affiliates, and the length of time receivables are past due. The past due or delinquency status of a receivable is based on the contractual payment terms of the receivable. At June 30, 2024, no allowance was recorded by management.

Loans Receivable - Affiliates

Loans receivable are due almost exclusively from affiliates of the Central Office including parishes and schools, which are under common control. The Central Office does not extend credit unless management is reasonably certain the related amount will be repaid. The Central Office charges up to 4.5% interest on some of its outstanding loan receivables. 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.

The Central Office evaluates the adequacy of its allowances by analyzing the aging of receivables, parish or school financial condition, historical collection experience, the value of any collateral and other economic and industry factors. Actual collections may differ from historical experience, and if economic, business or other conditions deteriorate significantly, adjustments to these reserves may be required. When the Central Office becomes aware of factors that indicate a change in a specific customer's ability to meet its financial obligations, such as in the case of a bankruptcy filing or deterioration in the customer's operating results or financial position, Central Office records a specific reserve for doubtful accounts. If there are additional changes in circumstances related to the specific parish or school, the Central Office further adjusts estimates of the recoverability of loan receivables.

Property Held for Future Parish/School Use

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. The value of property held for parishes and schools is $3,959,250 and $1,965,126, respectively.

Property and Equipment

Property and equipment acquisitions over $5,000 are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	40 years
Equipment, furnishings and vehicles	3 - 5 years

Long-Lived Assets

The Central Office evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds it fair value.

Claims Liability

The Central Office manages insurance claims for the Diocese. Claims liability represents the estimated losses payable, including incurred but not reported claims, for property damage, general liability, and auto insurance.

Funds Held for Others

Funds held for others primarily consist of national and special collections that are passed through the Central Office and sent to various missions and programs.

Deposits Payable - Affiliates

Deposits payable represent amounts held as savings accounts for affiliates.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor restrictions. Some 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the Central Office either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions.

The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction Gifts that depend on the Central Office overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, i.e. the donor - imposed barrier is met
Unconditional gifts, with or without restriction Received at date of gift - cash and other assets	Fair value
Received at date of gift - property, equipment and long - lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or 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. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income, that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received, are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contributions of services may include services received from personnel of an affiliate. No significant amounts have been reflected in the statement of activities for donated services because this criterion has not been met. For the year ended June 30, 2024, in-kind contributions related to contributed services of $3,600 were received by the Central Office.

In-Kind Contributions

In addition to receiving cash contributions, the Central Office receives in-kind contributions from various donors. It is the policy of the Central Office to record the fair value of certain in-kind donations as an expense in its financial statements unless the contributed items meet the criteria to be capitalized. Contribution revenue is recorded by the same amount. For the year ended June 30, 2024, in-kind contributions of $3,650 were received by the Central Office.

Income Taxes

The Central Office is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Central Office is subject to federal income tax on any unrelated business taxable income. There was no unrelated business taxable income for the year ended June 30, 2024.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among program services and administrative and support services by specific identification of costs, approximate percentage of time expended or percentage of usage of building, as appropriate.

Reclassifications

Certain amounts presented for year ended June 30, 2023 have been reclassified to match to the presentation in the June 30, 2024 audit. These reclassifications had no impact on overall change in net asset or net assets as a whole in current year.

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), which replaced the current incurred loss impairment methodology for measurement of credit losses on financial instruments, including Central Office's accounts receivable, with a methodology (the "current expected credit losses model" or "CECL model") that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Under the CECL model, the allowance for losses on financial assets, measured at amortized cost, reflects management's estimate of credit losses over the remaining expected life of such assets.

Central Office adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

Note 2. Investments

The Central Office records its investments in investment securities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters, or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instrument or market and the instrument's complexity.

GAAP established 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 or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). The three levels of the fair value hierarchy are described below:

Level 1 Unadjusted, quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Inputs (other than quoted market prices included within Level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date. Inputs may include quoted prices for the identified instrument in an inactive market; prices for similar instruments; interest rates, credit risk and similar data.

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. Fair value for these investments are determined using valuation methodologies that consider a range of factors including but not limited to the nature of the investment, market conditions, current and projected operating performance and changes in operating characteristics of the investment.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Equities, international equities and real estate investment trusts (REITS) are valued at the last sales price on the largest securities exchange in which such securities have been traded on the valuation date.

Corporate bonds and foreign bonds are valued using information from the custodian, which is based on quoted prices available from well-known brokers.

Equity mutual funds and fixed income mutual funds are valued at the daily closing price as reported by the fund.

The Central Office invests in the Catholic Umbrella Pool II (CUP II), which is an excess liability pool designed to reduce susceptibility to the volatility of the insurance market. The CUP II has limitations on redemption of the participant's equity account. Return of contributions are paid to members after the 10th year in the pool. The Central Office has been in the pool greater than ten years and receives returns of contributions quarterly. The return of contribution is set as a percentage of the participant's equity. The Central Office received $28,938 as a return of contribution for the year ended June 30, 2024.

In regards to the beneficial interest in perpetual trust, fair value of the trust is measured using the fair value of the underlying assets held by the trust, and is considered a Level 3 Investment.

The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2024:

		Fair Value Measurements Using		
	Fair Value	Level 1	Level 2	Level 3
Investments				
Cash equivalents	$ 662,970	$ 662,970	$ -	$ -
Corporate bonds	1,962,023	1,962,023	-	-
Equity mutual funds	28,741	28,741	-	-
Fixed income mutual funds	1,608,277	1,608,277	-	-
Equities	9,017,791	9,017,791	-	-
International equities	1,605,847	1,605,847	-	-
REITS	173,477	173,477	-	-
Foreign bonds	270,761	270,761	-	-
Catholic Umbrella Pool II	433,156	-	433,156	-
Total investments	$ 15,763,043	$ 15,329,887	$ 433,156	$ -
Beneficial interest in perpetual trust	$ 1,509,071	$ -	$ -	$ 1,509,071

There have been no significant changes in the valuation techniques during the year ended June 30, 2024.

Activity related to the beneficial interest in perpetual trust, a Level 3 investment, for year ended June 30, 2024, is as follows:

Beneficial interest in a perpetual trust, beginning of year	$	1,327,650
Distributions		(42,628)
Change in fair value		224,049
Beneficial interest in a perpetual trust, end of year	$	1,509,071

Distributions and change in fair value, totaling $181,422 in the aggregate, are included in change in value of beneficial interest in perpetual trust on the statement of activities for year ended June 30, 2024.

The estimated value of the expected future cash flows is $1,509,071, which represents the fair value of the trust assets at June 30, 2024.

Note 3. Beneficial Interest in a Perpetual Trust

The Central Office was named as a beneficiary of a perpetual charitable trust held and administered by an independent trustee in 2000. Perpetual trusts provide for the distribution of the net income of the trust to the Central Office (which it has been receiving); however, the Central Office will never receive the assets of the trusts. The Central Office is to receive 75% of the annual distributions as determined by the trustee.

In accordance with GAAP, a beneficial interest in a perpetual trust should be recorded in the statement of financial position at the fair value of the underlying trust assets for the Central Office's portion of the trust, which is 75%. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the statement of financial position, with trust distributions and changes in fair value recognized in the statement of activities.

Note 4. Property and Equipment

Property and equipment at June 30, 2024, consists of:

Land	$	3,799,167
Buildings		7,747,594
Equipment, furnishings and vehicles		3,389,542
		14,936,303
Less accumulated depreciation		(7,410,783)
Total	$	7,525,520

Depreciation expense for year ended June 30, 2024 was $325,666.

Note 5. Diocesan Assessments

Per Canon Law, the Central Office charges parishes of the Diocese an assessment on weekly offertory collections, contributions and other revenue as a means to provide funds for the recurring operations of the Central Office. This assessment is calculated on a sliding scale ranging from 1.27% to 16.00% of the gross collections. There are also exemptions and reductions based on certain activity of the specific parish such as school subsidy and social outreach support. In addition, the Central Office assessed $210,300 in 2024 to parishes that have students enrolled at Nolan Catholic High School. These amounts were transferred to Nolan Catholic High School to help support operations.

Note 6. Related Parties

The Central Office works closely with the Catholic Diocese of Fort Worth Advancement Foundation (Foundation). The Foundation is a separate non-profit organization organized to support the activities of the Diocese of Fort Worth. Substantially, all of the Foundation's activities are conducted for the benefit of the Diocese and related entities and ministries including fund raising and collection of contributions. The Foundation reimbursed the Central Office for utilizing the services of some personnel employed by the Central Office. In addition, the Foundation reimbursed the Central Office for other costs such as insurance, background checks, and software for the year ended June 30, 2024. The Central Office received grants and contributions from the Foundation of $1,170,500 to support programs and ministries and earned a management fee for the year ended June 30, 2024, of $72,300.

During 2024, the Foundation and the Diocese had the following transactions as of June 30, 2024:

	Revenue	Expense Reimbursement	Receivable	Expense	Payable
Leased personnel	$ -	$ 1,447,658	$ 69,955	$ -	$ -
Insurance, background checks, and software	-	14,947	193	-	-
Management fee	72,300	-	6,485	-	-
Donor record processing fees	-	-	-	10,226	1,995
Foundation grants and contributions	1,170,500	-	-	-	-
	$ 1,242,800	$ 1,462,605	$ 76,633	$ 10,226	$ 1,995

The Foundation receives funds on behalf of local parishes and schools that have collected contributions for capital projects. The capital projects are funded by the Diocese through a temporary loan to the parish or school. The temporary loan represents the funds due from the Foundation to the Diocese on June 30, 2024.

Note 7. Loans Receivable - Affiliates

The Central Office provides loans to parishes, schools, and others within the Diocese, which are under common control, for capital projects and various operating purposes. These loans have an interest rate of 4.5% at June 30, 2024, 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.

During 2016, the Central Office entered into a loan agreement (See Note 9) with a financial institution to finance development projects, primarily related to St. Martin de Porres. While the loan is in the name of the Diocese, St. Martin de Porres is expected to repay the Central Office for this loan.

The composition of loans receivable, net, at June 30, 2024, follows:

Loans to parishes	$	18,434,837
Loans to schools		30,337,864
Allowance for doubtful accounts		(5,000,000)
Total	$	43,772,701

Payments on the loans are expected to be collected as follows:

One year or less	$	4,249,093
More than one year		39,523,608
Total	$	43,772,701

Note 8. Deposits Payable - Affiliates

The Central Office receives deposits from parishes, schools, and other entities within the Diocese. The amounts on deposit accrue interest at a rate of 1.5% at June 30, 2024, and are due on demand. The composition of deposits payable at June 30, 2024, consists of:

Deposits payable to parishes	$	60,884,651
Deposits payable to schools		19,670,914
	$	80,555,565

Interest expense relating to deposits payable is $1,151,280 for the year ended June 30, 2024, and is included in the accompanying Statement of Functional Expenses.

Note 9. Long-Term Debt

In June 2016, the Central Office entered into an unsecured term loan agreement with a municipal entity that immediately assigned the note to a financial institution. The original loan amount was $25,620,000 with the proceeds to be used for future development projects. Terms of the loan required interest-only payments until December 2017, with a fixed interest rate of 2.73%.

Beginning March 1, 2018, payments of principal and interest are due quarterly through the maturity date of December 30, 2027. Principal payments range from $194,370 to $254,348 per quarter. The loan has certain limitations to prepayments after December 31, 2017, that impose a penalty. The agreement also requires additional payments if certain taxable events cause the interest to become taxable to the financial institution. The outstanding balance was $20,104,966 at June 30, 2024, with an interest rate of 3.32%. Interest paid for this loan during the year ended June 30, 2024 was $697,964.

Aggregate annual maturities of long-term debt at June 30, 2024, are as follows:

Year Ending June 30,		
2025	$	939,854
2026		966,139
2027		993,160
2028		17,205,813
	$	20,104,966

Note 10. Operating Leases

The Central Office leases certain real estate under long-term, non-cancelable lease agreements. The Central Office determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, current liabilities, and long-term liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term, utilizing the discount rate implicit in the lease. The ROU assets also include any lease pre-payments made and exclude lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

In evaluating contracts to determine if they qualify as a lease, the Central Office considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

None of the Central Office's lease agreements contain contingent rental payments, material residual value guarantees or material restrictive covenants. The depreciable life of related leasehold improvements is based on the shorter of the useful life or the lease term. The Central Office has no sublease agreements. The Central Office performs interim reviews of its long-lived assets for impairment when evidence exists that the carrying value of an asset group, including a lease asset, may not be recoverable, and the Central Office did not recognize an impairment expense associated with operating lease assets during 2024.

The Central Office has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, The Central Office accounted for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. The present value of the Central Office's lease payments may include: (1) rental payments adjusted for inflation or market rates, and (2) lease terms with options to renew the lease when it is reasonably certain the Central Office will exercise such an option. The exercise of lease renewal options is generally at the Central Office's discretion. Payments based on a change in an index or market rate are not considered in the determination of lease payments for purposes of measuring the related lease liability. The Central Office has elected to apply the short-term lease exemption whereby leases that are less than twelve months in duration are not included as ROU assets and lease liabilities.

The Central Office has lease agreements with lease and non-lease components, which are generally accounted for separately. These variable lease payments, which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

The Central Office's leases contain various terms and expire at various dates. For leases containing renewal options, the Central Office has evaluated whether it is reasonably certain to renew.

The components of lease expense, cash flow information, and other information for the year-ended June 30, 2024 were as follows:

	Year Ended June 30, 2024
Operating lease cost (included in Rent, utilities and other on the Statement of Functional Expenses)	$ 72,450
Short-term lease cost (included in Rent, utilities and other on the Statement of Functional Expenses)	22,506
Right-of-use operating lease assets obtained in exchange for lease liabilities	$ 136,459
Weighted average remaining lease term - operating leases (in years)	1.23
Weighted average discount rate - operating leases	4.78%

The supplemental statement of financial position information related to leases for the period is as follows:

	June 30, 2024
Right-of-use assets, operating leases	$ 111,076
Operating lease liabilities	103,026

Maturities of the Central Office's lease liabilities are as follows:

Years Ending June 30,	
2025	$ 88,200
2026	23,800
Less: imputed interest	(8,974)
	$ 103,026

Note 11. Net Assets

Net Assets with Donor Restrictions

Net assets, with donor restrictions at June 30, 2024, are restricted for the following purposes or periods:

Subject to expenditure for specified purpose	
Education and formation	$ 6,631
Pastoral services	334,824
Administration and support	163,741
	505,196
Not subject to spending policy or appropriation	
Beneficial interest in perpetual trust	1,509,071
	$ 2,014,267

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Satisfaction of restrictions		
Education and formation	$	226,308
Pastoral services		2,302,422
Communications		104,371
Administration and support		293,214
	$	2,926,315

Note 12. Revenue from Contracts with Affiliates

Insurance Revenue

Revenue from contracts with parishes, schools and other affiliated entities (the locations) for insurance premiums is reported at the amount that reflects the consideration to which the Central Office expects to be entitled in exchange for providing insurance coverage to these locations.

Revenue is recognized as performance obligations are satisfied, which is ratably over the period of coverage (July 1 – June 30) which aligns with the fiscal year of the Central Office. Insurance revenue of $3,591,288 is recorded in program and service fees on the statement of activities for the year ended June 30, 2024.

Transaction Price and Recognition

The Central Office determines the transaction price for the locations based on standard charges for services provided, which includes claims history, administrative costs, and premiums charged by a third-party insurance company for stop-loss coverage. There are no implicit price concessions provided to the locations.

Contract Balances

The following table provides information about the Central Office's receivables, which are reflected in accounts receivable on the statement of financial position, from contracts with the locations as of June 30, 2024:

Accounts receivable, beginning of year	$	310,420
Accounts receivable, end of year	$	377,447

Note 13. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2024, comprise the following:

Financial assets at year end	
Cash	$ 41,426,330
Accounts receivable - affiliates, net	4,752,008
Accrued interest receivable	6,191,431
Loans receivable - affiliates, net	43,772,701
Investments	15,763,043
Total financial assets at year end	111,905,513
Less amounts not available to be used with one year	
Loans receivable - affiliates not expected to be collected within one year	(39,523,608)
Accrued loan interest receivable not expected to be collected within one year	(5,900,315)
Funds held for others	(647,546)
Deposits payable - affiliates	(80,555,565)
Donor restricted funds not expected to be used within one year	(322,494)
Amounts not available to be used within one year	(126,949,528)
Financial assets available to meet cash needs for general expenditures within one year	$ (15,044,015)

The Central Office receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

The Central Office monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Central Office considers all expenditures related to its ongoing activities including religious education and formation, pastoral services, and communications as well as the conduct of services undertaken to support those activities to be general expenditures.

The Central Office holds deposits on behalf of parishes and schools within the Fort Worth Diocese, and in turn loans out these funds within the Diocese. The deposits are due on demand, although the loans receivable are due over a period of time. Over the next twelve months, management does not expect withdrawals to be significantly greater than expected deposits.

The Central Office may also open a line of credit with its current commercial bank for operational expenses, should the need arise.

In addition to financial assets available to meet general expenditures over the next twelve months, the Central Office strives to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Note 14. Commitments and Contingencies

Guaranteed Bonds

On December 23, 2020, Nolan Catholic High School (School) borrowed $15,750,000 in revenue bonds to fund capital projects and to refinance existing debt with the Catholic Diocese of Fort Worth.

The financing transaction included $9,000,000 of Tax-Exempt Revenue Notes, Series 2020-1X, issued by Arlington Higher Education Finance Corporation (AHEFC) and sold to a single bank in a direct private placement transaction. These bonds are guaranteed by the Catholic Diocese of Fort Worth.

The remaining transaction includes (i) $1,000,000 of Taxable Senior Revenue Bonds, Series 2020-1A and (ii) $5,750,000 of Taxable Junior Revenue Bonds, Series 2020-1B, issued by the Foundation and also sold to the Foundation by a placement agent pursuant to a Prospectus.

Insurance Claims

The Central Office manages the claims against the Diocese. At June 30, 2024, the Diocese is subject to various claims covering a wide range of matters that arise in the ordinary course of its activities. Claims and litigation are covered by commercial insurance. The deductible on insurance claims is $200,000 per occurrence. Management believes that any liability that may ultimately result from the resolution of claims will not have a material adverse effect on the financial condition or results of operations of the Central Office. As of June 30, 2024, claims liability of $317,670 has been recorded to account for the estimate of these claims.

Note 15. Defined Benefit Pension Plans

The Diocese has two noncontributory defined benefit pension plans covering all 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 Diocese's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Diocese may determine to be appropriate from time to time.

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 months 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 1,000 hours in a calendar year and 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 each 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.

For the year ended June 30, 2024, the actual contributions for the Central Office's portion of these plans for the priests and employees were $525,224, and are included in benefits, education and allowances on the statement of functional expenses.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees. The Central Office is not responsible for the unfunded liability unless determined otherwise by the Diocesan Finance Council and the Bishop in the future.

The following information reflects all participants in the plans, which includes the Central Office priests and employees.

Employee Plan

The actuarial valuation information for the Employee Plan follows:

Actuarial valuation date	July 1, 2024
Actuarial cost method	Projected Unit Credit
Asset valuation method	Market value
Assumptions:	
Investment return	7.00%
Projected salary increases	2.50%

The annual pension cost trend information for the Employee Plan follows:

Annual Pension Cost (APC)	$	3,858,936
Percentage of APC contributed		100.00%
Net pension obligation	$	-

The funding information for the Employee Plan follows:

Actuarial valuation date		July 1, 2024
Fair value of plan assets	$	42,824,952
Actuarial accrued liability (AAL)		61,838,712
Unfunded actuarial accrued liability (UAAL)		19,013,760
Funded ratio		69.25%
Annual covered payroll	$	30,666,305
UAAL as percentage of covered payroll		62.00%

Priests' Plan

The actuarial valuation information for the Priests' Plan follows:

Actuarial valuation date	July 1, 2024
Actuarial cost method	Projected Unit Credit
Asset valuation method	Market value
Assumptions:	
Investment return	7.00%
Cost of living	1.50%

The annual pension cost trend information for the Priests' Plan follows:

Annual Pension Cost (APC)	$	425,775
Percentage of APC contributed		100.00%

The funding information for the Priests' Plan follows:

Actuarial valuation date		July 1, 2024
Fair value of plan assets	$	9,170,564
Actuarial accrued liability (AAL)		9,285,738
Unfunded actuarial accrued liability (UAAL)		115,174
Funded ratio		98.76%

Note 16. Insurance Plans

The Central Office maintains a workers' compensation plan for the employees of Diocesan parishes, schools, and other affiliated entities (the participants). The premiums for these are paid to Texas Mutual Insurance Company. The FY24 premiums were $184,499 and are included in insurance on the statement of functional expenses. This is a zero-deductible plan. Texas Mutual pays all claims, and the participants do not pay anything in addition to the premiums. The Workers' Compensation premiums are automatically calculated in ADP, the third party payroll provider. The Payroll Department provides these calculated amounts to the Accounting Department. The calculations are made per pay period under parameters set by Texas Mutual as the workers' compensation carrier.

The Central Office maintains a multi-peril insurance plan for the Diocesan parishes, schools, and other affiliated entities (the participants) and the plan is partially self-insured through a high deductible. The premiums are paid to Catholic Mutual Group. The FY24 premiums were $1,578,208 and are included in insurance on the statement of functional expenses.

The Central Office has a fully insured plan for the health insurance needs of the participants. The health insurance plan is administered by a third party, Christian Brothers Employee Benefit Trust (CBEBT), and the Central Office does not participate in billing the premiums to the parishes and schools. The FY24 premiums were $1,022,902 and are included in benefits, education and allowances on the statement of functional expenses.

The Central Office provides vision coverage for the priests and seminarians. Lay employees may elect vision coverage and the premiums are deducted from their payroll. The vision is administered by a third party, Fidelity Security Life Insurance Company (EyeMed), and the Central Office bills the premiums to the parishes and school. The FY24 premiums for the priests and seminarians were $2,604 and are included in benefits, education and allowances on the statement of functional expenses.

Included in insurance expense are actual costs and claims paid plus management's estimates of any additional ultimate loss which may change materially in the near term. The FY24 claims paid for Workers' Compensation and Multi-Peril were $31,314 and $1,194,583, respectively, and are included in insurance expenses. The total estimated additional loss is $247,066 and is included in claims liability on the statement of financial position.

Note 17. Subsequent Events

Subsequent events have been evaluated through November 25, 2024, which is the date the financial statements were available to be issued.