

**CATHOLIC DIOCESE OF FORT WORTH
ADVANCEMENT FOUNDATION**

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2016



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





INDEPENDENT AUDITOR'S REPORT

Board of Directors
Catholic Diocese of Fort Worth Advancement Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of the Catholic Diocese of Fort Worth Advancement Foundation (the "Foundation") which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rylander, Clay + Opitz, LLP

February 9, 2017

**CATHOLIC DIOCESE OF FORT WORTH
ADVANCEMENT FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015**

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 10,746,358	\$ 17,055,149
Accounts receivable - parishes and affiliates	167,148	801,178
Due from affiliate	-	900,039
Prepaid expenses	7,756	5,993
Contributions receivable, less allowance for doubtful accounts of \$599,813 in 2016 and \$769,921 in 2015	1,817,999	2,776,461
Investments		
Marketable securities	56,947,657	58,781,601
Mineral interest	893,730	1,293,324
Land and buildings	39,669	39,669
	\$ 70,620,317	\$ 81,653,414
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,263,922	\$ 1,097,667
Accrued expenses	28,546	241,263
Funds held for others	21,987,013	23,077,908
Annuity obligations	258,578	271,235
Contributions payable - parishes and affiliates, net	6,042,837	13,829,196
	29,580,896	38,517,269
Net Assets		
Unrestricted	4,268,507	4,477,204
Temporarily restricted	27,920,528	29,843,227
Permanently restricted	8,850,386	8,815,714
	41,039,421	43,136,145
	\$ 70,620,317	\$ 81,653,414

See notes to financial statements.



**CATHOLIC DIOCESE OF FORT WORTH
ADVANCEMENT FOUNDATION**

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2016 with Comparative Total for 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2016	2015
Revenue and other support					
Contributions	\$ 58,182	\$ 4,538,082	\$ 34,672	\$ 4,630,936	\$ 6,038,251
Investment income, net	152,649	402,229	-	554,878	388,879
Royalty income	-	140,569	-	140,569	219,969
Net realized and unrealized loss	(936,297)	(150,000)	-	(1,086,297)	(569,431)
Unrealized loss on mineral interest	-	(399,594)	-	(399,594)	(880,542)
Fees and related charges	109,471	-	-	109,471	132,432
Forgiveness of related party transaction	(900,039)	-	-	(900,039)	-
Other	5,097	179,246	-	184,343	224,569
Net assets released from restrictions	6,633,231	(6,633,231)	-	-	-
Total revenue and other support	5,122,294	(1,922,699)	34,672	3,234,267	5,554,127
Expenses					
Program services					
Grants	3,681,029	-	-	3,681,029	5,271,636
Financial services	34,821	-	-	34,821	47,272
Administrative and support services	1,615,141	-	-	1,615,141	1,450,055
Total expenses	5,330,991	-	-	5,330,991	6,768,963
Change in net assets	(208,697)	(1,922,699)	34,672	(2,096,724)	(1,214,836)
Net assets at beginning of year	4,477,204	29,843,227	8,815,714	43,136,145	44,350,981
Net assets at end of year	\$ 4,268,507	\$ 27,920,528	\$ 8,850,386	\$ 41,039,421	\$ 43,136,145

See notes to financial statements.



**CATHOLIC DIOCESE OF FORT WORTH
ADVANCEMENT FOUNDATION**

**STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015**

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ (2,096,724)	\$ (1,214,836)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized loss	1,086,297	569,431
Unrealized loss on mineral interest	399,594	880,542
Investment expense of annuity obligations	45,631	44,388
Contribution recognized from annuity obligations	-	(126,663)
Permanently restricted contributions	(34,672)	(182,856)
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable - parishes and affiliates	634,030	(439,336)
(Increase) decrease in due from affiliate	900,039	(900,039)
(Increase) decrease in prepaid expenses	(1,763)	2,632
Decrease in contributions receivable	958,462	955,483
Decrease in accounts payable	166,255	(43,624)
Increase (decrease) in accrued expenses	(212,717)	75,898
Increase (decrease) in funds held for others	(1,090,895)	124,048
Decrease in contributions payable - parishes and affiliates	(7,786,359)	(2,833,407)
Net cash used by operating activities	(7,032,822)	(3,088,339)
Cash Flows from Investing Activities		
Proceeds from sale of investments	21,510,835	84,718,856
Purchase of investments	(20,763,188)	(83,691,073)
Net cash provided by investing activities	747,647	1,027,783
Cash Flows from Financing Activities		
Cash received for permanently restricted contributions	34,672	182,856
Payment of annuity obligations	(62,077)	(61,868)
Amounts received on annuity obligations	3,789	5,923
Net cash provided (used) by financing activities	(23,616)	126,911
Net decrease in cash and cash equivalents	(6,308,791)	(1,933,645)
Cash and cash equivalents at beginning of year	17,055,149	18,988,794
Cash and cash equivalents at end of year	\$ 10,746,358	\$ 17,055,149

See notes to financial statements.



CATHOLIC DIOCESE OF FORT WORTH ADVANCEMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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

Nature of Operations

The Catholic Diocese of Fort Worth - Advancement Corporation (the “Corporation”) was formed in July 2009 as an integrated auxiliary of the Catholic Diocese of Fort Worth (the “Diocese”) charged with receiving, managing, and distributing contributions intended to benefit the supported activities of the Diocese.

Effective September 27, 2013, the Corporation changed its name to the Catholic Diocese of Fort Worth Advancement Foundation (the “Foundation”). All assets from the Catholic Foundation of North Texas, the Catholic Schools Trust, the Catholic Cemeteries Trust, and the St. Joseph’s Health Care Trust were transferred to the Foundation subject to all restrictions placed on the assets by the original donors. The Foundation is authorized to receive, accept, own, and manage the assets delivered to the Foundation on behalf of the various beneficiaries. Investments were transferred to the Foundation as of November 1, 2013.

Description of Programs

The main purpose of the Foundation is to manage fundraising activities, endowment gifts, and trusts on behalf of the Diocese, including the collection and disbursement of contributions that support the various ministries of the Diocese. The Foundation receives contributions restricted to benefit individual parishes, schools, and other ministries. Capital and operating grants are provided to the parishes, schools, and other ministries to satisfy the donor restrictions.

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.

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.



CATHOLIC DIOCESE OF FORT WORTH ADVANCEMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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

Accounts Receivable

Accounts receivable are due almost exclusively from affiliates of the Foundation. Management periodically evaluates receivables for collectability and only records a reserve if ultimate collection appears doubtful. Management does not consider an allowance for doubtful accounts necessary at June 30, 2016 and 2015.

Due (To) From Affiliate

The Foundation is affiliated with the Central Office of the Catholic Diocese of Fort Worth (“Central Office”). The Central Office often pays expenses on behalf of the Foundation. At June 30, 2016, the Foundation owes approximately \$1,100,000 to the Central Office, which is included in accounts payable on the statement of financial position. In 2015, a total of \$900,039 relating to employee payroll expense reimbursements was due from the Central Office to the Foundation and was reflected as an asset in the Foundation’s financial statements. In 2016, the Central Office determined that the payroll expense reimbursement to the Foundation was no longer considered necessary. The amount is reflected in the statement of activities as a forgiveness of related party transaction.

Contributions Receivable

Contributions receivable are due from individual donors which are generally affiliated with parishes of the Diocese. Management periodically evaluates contributions receivable and records an allowance for uncollectible contributions based on historical collection rates on similar campaigns of the Diocese and other information known to management that may affect collectability. Account write-offs are posted against the allowance for doubtful accounts, and an expense is recorded only when write-offs exceed the balance of the allowance.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Investment income and realized and unrealized gains and losses are included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by the donor or law.

The Foundation’s investments represent 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.

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.

Revenue Recognition

Contributions are recorded as received or unconditionally pledged. Other revenues are recorded as earned.



CATHOLIC DIOCESE OF FORT WORTH ADVANCEMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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

Contributions Payable – Parishes and Affiliates

As part of the *All Things Possible* campaign, the Foundation collects certain contributions on behalf of local parishes and schools that participated in the campaign. These payments are due within six months after completion of the parish's campaign. The Foundation administers capital project fundraising for parishes and schools. These amounts are held until paid to the affiliates for capital acquisitions.

Impairment of Long-Lived Assets

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount.

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.

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 within the meaning of Section 509(a) of the Code. As a not-for-profit organization, the Foundation is not liable for federal income taxes.

Functional Allocation of Expenses

The cost of providing the program services and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services.

Prior-Year Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2015, from which the summarized information is derived.



CATHOLIC DIOCESE OF FORT WORTH ADVANCEMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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

Subsequent Events

Management evaluated subsequent events through February 9, 2017, which is the date the financial statements were available to be issued.

NOTE 2. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2016 and 2015 are measured at the present value of the estimated future cash flows using a discount rate equal to the risk-free borrowing rate (2.0%) applicable to the year the pledge was made, resulting in an unamortized discount of \$64,726 and \$101,336 at June 30, 2016 and 2015, respectively. Based on historical collection rates on similar campaigns of the Diocese and current collection history, management determined that an allowance for doubtful contributions receivable of \$599,813 and \$769,921 is considered necessary at June 30, 2016 and 2015, respectively.

Collection of contributions receivable is expected as follows as of June 30, 2016 and 2015:

	2016	2015
Due in one year	\$ 1,528,050	\$ 2,040,490
Due in two years	891,709	1,116,602
Due in three years	42,385	490,626
Due in four years	20,394	-
	<u>2,482,538</u>	<u>3,647,718</u>
Less allowance	(599,813)	(769,921)
Less discount	(64,726)	(101,336)
Contributions receivable, net	<u>\$ 1,817,999</u>	<u>\$ 2,776,461</u>

The \$1,817,999 net contributions receivable at June 30, 2016 is also offset by \$1,783,184 in contributions payable to parishes and affiliate (see Note 6). If these pledges are not collected, the amount due to the related parish or other affiliate will be reduced.

NOTE 3. INVESTMENTS AND FAIR VALUE

The Fair Value Measurements and Disclosures Topic of the Accounting Standards Codification defines fair value 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. The standards also establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standards describe three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.



CATHOLIC DIOCESE OF FORT WORTH ADVANCEMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS AND FAIR VALUE (CONTINUED)

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Other Assets and Liabilities

The recorded value of contributions receivable approximates their fair value as the discount rate applied to those receivables approximates market rates. The recorded value of the annuity obligations approximates their fair value as interest approximates market rates. The recorded values of cash and cash equivalents, accounts receivable, accounts payable, funds held for others, and contributions payable – parishes and affiliates approximate their fair values based on their short-term or affiliate nature.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include publicly traded stocks, mutual funds, certificates of deposit, and money market funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

The fair values of all debt and equity securities with a readily determinable fair value are based on quotations obtained from national securities exchanges. 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.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within standard fair value hierarchy in which the fair value measurements fall at June 30, 2016 and 2015.

	2016	2015	Level
	Fair Value	Fair Value	
Cash held for investment	\$ 4,154,603	\$ 4,917,286	1
Basic materials stocks	4,325,217	4,709,070	1
Consumer goods stocks	2,412,105	3,032,513	1
Financial stocks	6,553,626	7,970,145	1
Healthcare stocks	3,714,283	3,727,132	1
Industrial goods stocks	4,067,340	4,401,651	1
Services stocks	5,083,044	5,416,899	1
Technology stocks	4,245,060	3,589,693	1
Utilities stocks	156,480	320,258	1
International stocks	339,093	186,565	1
Equity mutual funds	2,775,233	3,141,921	1
Fixed income fund	19,121,573	17,368,468	1
Marketable securities	<u>\$ 56,947,657</u>	<u>\$ 58,781,601</u>	
Mineral interest	<u>\$ 893,730</u>	<u>\$ 1,293,324</u>	3



CATHOLIC DIOCESE OF FORT WORTH ADVANCEMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS AND FAIR VALUE (CONTINUED)

Investment income is presented net of expenses of approximately \$191,000 and \$188,000 for the years ended June 30, 2016 and 2015, respectively.

Mineral Interest

The Foundation invests in mineral interests. Investments in this category for which there is no readily determinable value are classified as Level 3 as the valuation is based on significant unobservable inputs. The fair value of these investments have been estimated based on projected future cash flows as provided by fund manager.

The activity in Level 3 investments for the years ended June 30, 2016 and 2015 follows:

	2016	2015
Balance at beginning of year	\$ 1,293,324	\$ 5,446,479
Realized/unrealized loss	(399,594)	(1,176,014)
Liquidation of managed funds	-	(2,977,141)
Balance at end of year	<u>\$ 893,730</u>	<u>\$ 1,293,324</u>

NOTE 4. FUNDS HELD FOR OTHERS

Funds held for others primarily relate 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 and reported as a component of investments in the accompanying financial statements. Funds held for others consist of the following at June 30, 2016 and 2015:

	2016	2015
The Schools Trust	\$ 14,711,244	\$ 15,079,252
The Cemeteries Trust	1,586,186	1,599,322
Parishes and schools of the Diocese	5,299,223	5,875,107
Other	390,360	524,227
	<u>\$ 21,987,013</u>	<u>\$ 23,077,908</u>

NOTE 5. 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 re-measured annually, and any adjustment necessary is recognized in the statements of activities.



CATHOLIC DIOCESE OF FORT WORTH ADVANCEMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 5. ANNUITY OBLIGATIONS (CONTINUED)

The activity in the annuity obligations account for the years ended June 30, 2016 and 2015 follows:

	2016	2015
Balance at beginning of year	\$ 271,235	\$ 409,455
Liability recorded for additional gifts	3,789	5,923
Investment expense of annuity obligations	45,631	44,388
Payments to annuitants	(62,077)	(61,868)
Contribution recognized	-	(126,663)
Balance at end of year	<u>\$ 258,578</u>	<u>\$ 271,235</u>

NOTE 6. CONTRIBUTIONS PAYABLE – PARISHES AND AFFILIATES

As part of the *All Things Possible* campaign, the Foundation collects certain contributions on behalf of local parishes and schools that participated in the campaign. These pledges are due to the schools and parishes within six months after completion of their campaign, which began in 2011 for some parishes and schools. Contributions payable to parishes and schools are reduced by the related discount of \$64,726 and \$101,336 at June 30, 2016 and 2015, respectively and allowance for doubtful contributions receivable of \$599,813 and \$646,619 at June 30, 2016 and 2015, respectively.

The composition of contributions payable net of discount and allowance at June 30, 2016 and 2015 follows:

	2016	2015
Contributions payable for concurrent local campaigns	\$ 625,467	\$ 1,153,576
Contributions payable for local share of <i>All Things Possible</i>	1,185,116	1,479,616
Contributions payable for local share of <i>Capital Project Campaign Fund Pledges</i>	4,232,254	11,196,004
	<u>\$ 6,042,837</u>	<u>\$ 13,829,196</u>

NOTE 7. 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, 2016 and 2015 follows:

	2016	2015
Seminarian support	\$ 3,147,545	\$ 3,627,769
Schools Trust	2,436,541	2,747,428
Healthcare	17,151,429	18,714,293
All Things Possible	4,455,826	4,161,459
Other	729,187	592,278
	<u>\$ 27,920,528</u>	<u>\$ 29,843,227</u>



CATHOLIC DIOCESE OF FORT WORTH ADVANCEMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 7. RESTRICTION ON ASSETS (CONTINUED)

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

	2016	2015
Seminarian support	\$ 349,406	\$ 735,943
Schools Trust	155,000	160,067
Healthcare	983,898	804,822
All Things Possible	13,745	8,387
Other	5,131,182	5,260,746
	<u>\$ 6,633,231</u>	<u>\$ 6,969,965</u>

Permanently restricted net assets are endowed funds restricted in perpetuity to support the education of seminarians and the catholic school system. Income generated by these assets is restricted for seminarian support and financial aide, respectively.

NOTE 8. ASSETS RESTRICTED AND DESIGNATED FOR PERMANENT ENDOWMENT

The net assets of the Foundation represent funds restricted by donors and designated by the Bishop to fund an endowment. Income generated by these assets is designated for support of seminarians. Endowment net asset composition by type of funds at June 30, 2016 and 2015 follows:

	June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 3,147,545	\$ 8,850,386	\$ 11,997,931
Board designated	585,074	-	-	585,074
	<u>\$ 585,074</u>	<u>\$ 3,147,545</u>	<u>\$ 8,850,386</u>	<u>\$ 12,583,005</u>
	June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 3,627,769	\$ 8,815,714	\$ 12,443,483
Board designated	585,074	-	-	585,074
	<u>\$ 585,074</u>	<u>\$ 3,627,769</u>	<u>\$ 8,815,714</u>	<u>\$ 13,028,557</u>



CATHOLIC DIOCESE OF FORT WORTH ADVANCEMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 8. ASSETS RESTRICTED AND DESIGNATED FOR PERMANENT ENDOWMENT (CONTINUED)

The changes in the endowment for the years ended June 30, 2016 and 2015 follow:

	June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at beginning of period	\$ 585,074	\$ 3,627,769	\$ 8,815,714	\$ 13,028,557
Contributions	-	-	34,672	34,672
Investment income, net	-	125,014	-	125,014
Investment losses	-	(255,832)	-	(255,832)
Appropriation for expenditures	-	(349,406)	-	(349,406)
Balance at end of period	<u>\$ 585,074</u>	<u>\$ 3,147,545</u>	<u>\$ 8,850,386</u>	<u>\$ 12,583,005</u>

	June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at beginning of period	\$ 585,074	\$ 4,328,113	\$ 8,632,858	\$ 13,546,045
Contributions	-	-	182,856	182,856
Investment income, net	-	67,256	-	67,256
Investment losses	-	(31,657)	-	(31,657)
Appropriation for expenditures	-	(735,943)	-	(735,943)
Balance at end of period	<u>\$ 585,074</u>	<u>\$ 3,627,769</u>	<u>\$ 8,815,714</u>	<u>\$ 13,028,557</u>

Return Objectives and Risk Parameters

The objective of the investment program is to enhance the Foundation's portfolio through capital appreciation and reinvestment of income above required needs. The Diocesan Finance Council and the Foundation Trustees recognize that this objective can be met over time only if the purchasing power of the investment portfolio is increased on a real dollar (inflation-adjusted) basis. Therefore, the Foundation's goal is to achieve a premium of 4% over the rate of inflation as measured by the Consumer Price Index over a five-year time horizon.

In order to meet the objectives for capital growth, the following guidelines are established with respect to the proportions of equities and fixed income securities held in the portfolio:

- 1) The equity exposure should be between 30% and 70% of the portfolio at market value. A high level of diversification across industry and individual holdings will be maintained. The maximum exposure to any industry shall be 30% of the total equities portfolio market value, and the maximum exposure to an individual issuer shall be 5% of the total of each portfolio's value at cost; however, no issuer should exceed 10% at any time.



CATHOLIC DIOCESE OF FORT WORTH ADVANCEMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 8. ASSETS RESTRICTED AND DESIGNATED FOR PERMANENT ENDOWMENT (CONTINUED)

The majority of holdings shall be listed on a major exchange to take advantage of listing requirements, disclosure rules, and to improve liquidity. Prudent standards of quality will be developed and maintained by the investment manager. Companies whose securities are held should exhibit strong financial position and have a record of profitable operating results. The preference is for high quality dividend paying securities.

- 2) The fixed income exposure will be a minimum of 30% and a maximum of 70% of the portfolio at market value. Except for U.S. Treasury and Agency obligations, the debt portion of the portfolio shall not contain more than 5% from any given issuer (valued at cost); however, no issue should exceed 10% at any time. Maturity should be limited to 15 years or less. The average duration of the fixed income portion of the portfolio must not exceed five (5) years. Convertible securities will not be restricted to the 15 year maximum maturity. Securities with put features shall be assumed to have maturity to the put date. The average quality rating of the fixed income portion of the portfolio should be A rated or better by an acceptable rating agency. The total percentage of the non-convertible fixed income portion rated less than A may not exceed 20%.

It is recognized that there may be times when the investment manager wishes to hold cash equivalents based on their market outlook. The manager has the discretion to do so within the context of this longer term allocation policy.

Strategies Employed for Achieving Objectives

All investment decisions on behalf of the Foundation shall be based upon and consistent with the above priorities. Specifically, it is desired that the following mix of investments be maintained:

Equities	30% to 70%
Fixed income/cash	30% to 70%

The Foundation shall select manager(s) that will routinely monitor economic and market conditions as well as cash flow requirements and will adjust the portfolio accordingly. In addition, the manager(s) will diversify the use of investment instruments, maturities, and individual financial institutions to avoid unreasonable risk inherent in over-investing in specific instruments, maturities, or individual financial institutions.

Spending Policy and How the Investment Objectives Relate to Spending Policy

It is anticipated that annual distributions equaling five (5%) percent of the average market value of the Endowment's assets at January 1st over the past five rolling years may be withdrawn quarterly for disbursement to support the Foundation.

Interpretation of Relevant Law

The Foundation's Board of Trustees has interpreted the State of Texas's Uniform Prudent Management of Institutional Funds Act (UPMIFA) requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary.



CATHOLIC DIOCESE OF FORT WORTH ADVANCEMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 8. ASSETS RESTRICTED AND DESIGNATED FOR PERMANENT ENDOWMENT (CONTINUED)

Therefore, the Foundation will classify as permanently restricted net assets:

- a) The original value of gifts donated to the permanent endowment,
- b) The original value of subsequent gifts to the permanent endowment, and
- c) Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Foundation's and the donor-restricted endowment fund.
3. General economic conditions.
4. The effect of inflation or deflation when the maintenance of purchasing power is specifically indicated by the donor.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Foundation.
7. The investment policies of the Foundation.

NOTE 9. RELATED PARTIES

The Foundation manages fundraising activities and collection of contributions on behalf of all of the entities and ministries of the Diocese. Substantially all of the Foundation's activities are conducted for the benefit of the Diocese and related entities and ministries.

The Foundation pays a management fee to an affiliate to reimburse the costs of supporting services. A total of \$12,000 was paid for these services for the years ended June 30, 2016 and 2015. The affiliate also often pays expenses on behalf of the Foundation. The Foundation has accounts payable to the affiliate approximately \$1,100,000 at June 30, 2016.

NOTE 10. FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Foundation to concentrations of credit risk are cash and cash equivalents. The Foundation places its cash with high-credit-quality financial institutions and periodically maintains deposits in amounts which exceed FDIC insurance coverage. At June 30, 2016, the Foundation has deposits of approximately \$10,576,000 in excess of federally insured limits. Management does not believe there is a significant risk of loss related to these deposits.

