

Catholic Diocese of Fort Worth
Advancement Foundation
Independent Auditor's Report and Financial Statements
June 30, 2018 and 2017



**Catholic Diocese of Fort Worth
Advancement Foundation
June 30, 2018 and 2017**

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Independent Auditor's Report

Board of Directors
Catholic Diocese of Fort Worth Advancement Foundation
Fort Worth, Texas

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, 2018, 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, 2018, 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.

Prior Year Audited by Other Auditors and Report on Summarized Comparative Information

The 2017 financial statements were audited by other auditors, and their report thereon dated January 29, 2018, expressed an unmodified opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BKD, LLP

Fort Worth, Texas
February 8, 2019

Catholic Diocese of Fort Worth Advancement Foundation
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 14,202,673	\$ 12,663,893
Accounts receivable - parishes and affiliates	114,408	244,978
Prepaid expenses	57,402	34,450
Contributions receivable, less allowance for doubtful accounts of \$2,340,530 in 2018 and \$2,177,961 in 2017	5,213,462	7,721,832
Investments		
Marketable securities	61,054,690	56,459,392
Mineral interest	1,198,296	951,234
Land and buildings	39,669	39,669
Investments permanently restricted for endowment	10,775,679	10,722,564
Total assets	\$ 92,656,279	\$ 88,838,012
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 318,076	\$ 285,165
Due to affiliate	71,875	1,536,538
Accrued expenses	193,394	208,457
Funds held for others	28,144,759	25,922,981
Annuity obligations	213,548	241,815
Contributions payable - parishes and affiliates, net	17,047,121	16,097,843
Total liabilities	45,988,773	44,292,799
Net Assets		
Unrestricted	3,053,615	2,880,879
Temporarily restricted	32,838,212	30,941,770
Permanently restricted	10,775,679	10,722,564
Total net assets	46,667,506	44,545,213
Total liabilities and net assets	\$ 92,656,279	\$ 88,838,012

Catholic Diocese of Fort Worth Advancement Foundation
Statements of Activities
Year Ended June 30, 2018 with Comparative Total for 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2018	2017
Revenue and Other Support					
Contributions	\$ 540,514	\$ 3,860,136	\$ 53,115	\$ 4,453,765	\$ 5,486,942
Investment income, net	156,730	450,645	-	607,375	755,385
Royalty income	-	181,140	-	181,140	153,168
Net realized and unrealized gain	120,691	2,899,164	-	3,019,855	3,441,591
Unrealized gain on mineral interest	-	247,062	-	247,062	57,504
Fees and related charges, net	131,023	-	-	131,023	117,050
Other	-	630	-	630	11,013
Net assets released from restrictions	5,742,335	(5,742,335)	-	-	-
Total revenue and other support	6,691,293	1,896,442	53,115	8,640,850	10,022,653
Expenses					
Program services					
Grants	5,143,238	-	-	5,143,238	5,264,273
Financial services	29,579	-	-	29,579	29,070
Administrative and support services	1,345,740	-	-	1,345,740	1,223,518
Total expenses	6,518,557	-	-	6,518,557	6,516,861
Change in Net Assets	172,736	1,896,442	53,115	2,122,293	3,505,792
Net Assets, Beginning of Year	2,880,879	30,941,770	10,722,564	44,545,213	41,039,421
Net Assets, End of Year	\$ 3,053,615	\$ 32,838,212	\$ 10,775,679	\$ 46,667,506	\$ 44,545,213

Catholic Diocese of Fort Worth Advancement Foundation
Statements of Cash Flow
Years Ended June 30, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	\$ 2,122,293	\$ 3,505,792
Items not requiring (providing) operating activities cash flows:		
Net realized and unrealized gain	(3,019,855)	(3,441,591)
Unrealized gain on mineral interest	(247,062)	(57,504)
Investment expense of annuity obligations	43,617	46,033
Contribution recognized from annuity obligations	(14,970)	-
Permanently restricted contributions	(53,115)	(1,872,178)
Change in operating assets and liabilities:		
Accounts receivable - parishes and affiliates	130,570	(77,830)
Prepaid expenses	(22,952)	(26,694)
Contributions receivable	2,508,370	(5,903,833)
Accounts payable	32,911	116,391
Due to affiliates	(1,464,663)	441,390
Accrued expenses	(15,063)	179,911
Funds held for others	2,221,778	3,426,651
Contributions payable - parishes and affiliates	949,278	10,564,323
Net cash provided by operating activities	3,171,137	6,900,861
Investing Activities		
Proceeds from sale of investments	46,776,035	38,898,635
Purchase of investments	(48,404,593)	(45,691,343)
Net cash used in investing activities	(1,628,558)	(6,792,708)
Financing Activities		
Cash received for permanently restricted contributions	53,115	1,872,178
Payment of annuity obligations	(56,914)	(62,796)
Net cash provided by (used in) financing activities	(3,799)	1,809,382
Net Change in Cash and Cash Equivalents	1,538,780	1,917,535
Cash and Cash Equivalents, Beginning of Year	12,663,893	10,746,358
Cash and Cash Equivalents, End of Year	\$ 14,202,673	\$ 12,663,893

Catholic Diocese of Fort Worth Advancement Foundation

Notes to Financial Statements

June 30, 2018 and 2017

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.

Use of Estimates

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

Catholic Diocese of Fort Worth Advancement Foundation

Notes to Financial Statements

June 30, 2018 and 2017

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2018 and 2017, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

The Foundation had deposits of approximately \$14,500,000 and \$12,500,000 in excess of federally insured limited at June 30, 2018 and 2017, respectively.

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. Based upon a review of outstanding receivables and collection history, management does not consider an allowance for doubtful accounts necessary at June 30, 2018 and 2017.

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.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Investments and Investment Return

Investments in marketable securities having a readily determinable fair value and in all debt securities are carried at fair value. Investments in mineral interests are recorded at estimated market values, based on projected future cash flows.

Investment returns include dividend, interest and other investment income and realized and unrealized gains and losses on investments carried at fair value.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Catholic Diocese of Fort Worth Advancement Foundation

Notes to Financial Statements

June 30, 2018 and 2017

The Foundation maintains pooled investment accounts for its Diocesan entities. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated quarterly 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.

Revenue Recognition

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

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. In addition, the Foundation administers capital project fundraising for parishes and schools. These amounts are held until paid to the affiliates for capital acquisitions.

Long-lived Asset Impairment

The Foundation 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 its fair value. No asset impairment was recognized during the years ended June 30, 2018 or 2017.

Annuity Obligations

Fair values of the annuity obligations are based on the present value of the future annuity obligations.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are

Catholic Diocese of Fort Worth Advancement Foundation

Notes to Financial Statements

June 30, 2018 and 2017

reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted 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 also include services received from personnel of an affiliate. No significant amounts have been reflected in the statements of activities for donated services because this criteria has not been met; however, a substantial number of volunteers have donated significant amounts of their time to the Foundation.

Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and general and administrative expenses by specific identification of costs, approximate percentage of time expended or percentage of usage of building, as appropriate.

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, 2017, from which the summarized information was derived.

Subsequent Events

Management evaluated subsequent events through February 8, 2019, which is the date the financial statements were available to be issued.

Catholic Diocese of Fort Worth Advancement Foundation
Notes to Financial Statements
June 30, 2018 and 2017

Note 2: Contributions Receivable

Contributions receivable at June 30, 2018 and 2017, are measured at the present value of the estimated future cash flows using a discount rate equal to the risk-free borrowing rate (2.6%) applicable to the year the pledge was made, resulting in an unamortized discount of \$297,692 and \$434,079 at June 30, 2018 and 2017, 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 \$2,340,530 and \$2,177,961 is considered necessary at June 30, 2018 and 2017, respectively. Collection of contributions receivable is expected as follows as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Due in one year	\$ 1,037,166	\$ 835,123
Due in two years	3,179,334	3,585,614
Due in three years	2,455,634	3,143,594
Due in four years	1,027,821	2,118,713
Due in five years	151,729	650,828
	<u>7,851,684</u>	<u>10,333,872</u>
Less allowance for uncollectible contributions	(2,340,530)	(2,177,961)
Less unamortized discount	<u>(297,692)</u>	<u>(434,079)</u>
Contributions receivable, net	<u>\$ 5,213,462</u>	<u>\$ 7,721,832</u>

The \$5,213,462 net contributions receivable at June 30, 2018, was offset by \$225,230 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. In 2017, the \$7,721,832 net contributions receivable was offset by \$985,737 in contributions payable to parishes and affiliates.

Note 3: Investments and Fair Value Measurements

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of 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 other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

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

Catholic Diocese of Fort Worth Advancement Foundation
Notes to Financial Statements
June 30, 2018 and 2017

Recurring Measurements

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 the fair value hierarchy in which the fair value measurements at June 30, 2018 and 2017:

Asset Class	Total	2018 Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash equivalents	4,075,417	\$ 4,075,417	\$ -	\$ -
Basic materials	9,810,689	9,810,689	-	-
Consumer goods	3,562,619	3,562,619	-	-
Financial	7,822,739	7,822,739	-	-
Healthcare	4,665,402	4,665,402	-	-
Industrial goods	4,378,484	4,378,484	-	-
Services	7,779,141	7,779,141	-	-
Technology	3,057,017	3,057,017	-	-
Utilities	643,384	643,384	-	-
International	306,972	306,972	-	-
Real estate	1,094,563	1,094,563	-	-
Mutual funds - equities	2,444,802	2,444,802	-	-
Mutual fund - fixed income	17,367,566	17,367,566	-	-
U.S. Government Obligations	4,821,574	-	4,821,574	-
Total investments	<u>\$ 71,830,369</u>	<u>\$ 67,008,795</u>	<u>\$ 4,821,574</u>	<u>\$ -</u>
Mineral interest	<u>\$ 1,198,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,198,296</u>

Catholic Diocese of Fort Worth Advancement Foundation
Notes to Financial Statements
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Asset Class	Total	2017		
		Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash equivalents	\$ 5,467,566	\$ 5,467,566	\$ -	\$ -
Basic materials	4,814,395	4,814,395	-	-
Consumer goods	2,294,625	2,294,625	-	-
Financial	8,563,730	8,563,730	-	-
Healthcare	3,702,517	3,702,517	-	-
Industrial goods	3,141,423	3,141,423	-	-
Services	6,642,291	6,642,291	-	-
Technology	6,864,012	6,864,012	-	-
Utilities	174,462	174,462	-	-
International	91,640	91,640	-	-
Real estate	-	-	-	-
Mutual funds - equity	2,739,448	2,739,448	-	-
Mutual fund - fixed income	22,685,847	22,685,847	-	-
Total investments	<u>\$ 67,181,956</u>	<u>\$ 67,181,956</u>	<u>\$ -</u>	<u>\$ -</u>
Mineral interest	<u>\$ 951,234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 951,234</u>

Reconciliation of Investments to Statements of Financial Position

	2018	2017
Marketable securities	\$ 61,054,690	\$ 56,459,392
Investments permanently restricted for endowment	10,775,679	10,722,564
	<u>\$ 71,830,369</u>	<u>\$ 67,181,956</u>

Fair Value Measurements

Following is a description of the valuation methodologies and inputs 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. There have been no significant changes in the valuation techniques during the year ended June 30, 2018. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Catholic Diocese of Fort Worth Advancement Foundation

Notes to Financial Statements

June 30, 2018 and 2017

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 investments.

Investment income is presented net of expenses of approximately \$244,000 and \$ 238,000 for the years ended June 30, 2018 and 2017, respectively.

Level 3 Valuation Process – 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 the fund manager. Management challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

The activity in Level 3 investments for the years ended June 30, 2018 and 2017, follows:

	2018	2017
Balance, beginning of year	\$ 951,234	\$ 893,730
Unrealized gain	247,062	57,504
Balance, end of year	\$ 1,198,296	\$ 951,234

	2018	2017
Total gains or losses for the period included in change in net assets attributable to the change in unrealized gains or losses related to assets and liabilities still held at the reporting date	\$ 247,062	\$ 57,504

Catholic Diocese of Fort Worth Advancement Foundation
Notes to Financial Statements
June 30, 2018 and 2017

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at June 30, 2018 and 2017.

	Fair Value at 6/30/2018	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Mineral interest	\$ 1,198,296	Market comparables	Cash flow multiple	6x

	Fair Value at 6/30/17	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Mineral interest	\$ 951,234	Market comparables	Cash flow multiple	6x

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, 2018 and 2017:

	2018	2017
The Schools Trust	\$ 17,774,193	\$ 16,585,640
The Cemeteries Trust	2,129,478	1,806,585
Parishes and schools of the Diocese	8,024,008	7,100,303
Other	217,080	430,453
	<u>\$ 28,144,759</u>	<u>\$ 25,922,981</u>

Note 5: Annuity Obligations

The Foundation has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The Organization has recorded a liability at June 30, 2018 and 2017, of \$213,548 and \$241,815, respectively, which represents the present value of the future annuity obligations. The payments to the annuitant are determined based on valuation tables published by the "Committee on Gift Annuities," a nationally recognized organization. Since the Foundation underwrites the annuities, it is liable for full funding of each annuitant's benefits. This liability is remeasured annually, and any adjustment necessary is recognized in the statements of activities.

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The activity in the annuity obligations account for the years ended June 30, 2018 and 2017, follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 241,815	\$ 258,578
Investment expense of annuity obligations	43,617	46,033
Contribution recognized	(14,970)	-
Payments to annuitants	<u>(56,914)</u>	<u>(62,796)</u>
Balance, end of year	<u>\$ 213,548</u>	<u>\$ 241,815</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. As part of the *Capital Projects Campaign Funds*, the Foundation collects pledges on behalf of local parishes and schools that are undergoing building construction or renovations. Contributions payable to parishes and schools are reduced by the related discount of \$297,692 (2.6%) and \$434,079 (2.6%) at June 30, 2018 and 2017, respectively and allowance for doubtful contributions receivable of \$2,340,530 and \$2,177,961 at June 30, 2018 and 2017, respectively.

The composition of contributions payable, net of discount and allowance at June 30, 2018 and 2017, follows:

	<u>2018</u>	<u>2017</u>
Contributions payable for noncurrent local campaigns	\$ 12,500	\$ 12,519
Contributions payable for local share of <i>All Things Possible</i>	225,230	935,836
Contributions Payable for local share of <i>Capital Project Campaign Fund</i>	<u>16,809,391</u>	<u>15,149,488</u>
	<u>\$ 17,047,121</u>	<u>\$ 16,097,843</u>

Payments for the contributions payable are expected to be paid out as follows as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Due in one year	\$ 5,816,532	\$ 6,439,137
Due in two years	<u>11,230,589</u>	<u>9,658,706</u>
Total	<u>\$ 17,047,121</u>	<u>\$ 16,097,843</u>

Catholic Diocese of Fort Worth Advancement Foundation
Notes to Financial Statements
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Note 7: Temporarily Restricted Net 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, 2018 and 2017, follows:

	<u>2018</u>	<u>2017</u>
Seminarian support	\$ 4,234,415	\$ 3,747,662
Schools trust	6,207,593	5,254,564
Healthcare	19,063,473	18,191,430
<i>All Things Possible</i>	2,783,107	3,152,707
Other	549,624	595,407
	<u>\$ 32,838,212</u>	<u>\$ 30,941,770</u>

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

	<u>2018</u>	<u>2017</u>
Seminarian support	\$ 466,940	\$ 450,666
Schools trust	367,399	300,000
Healthcare	912,070	869,699
<i>All Things Possible</i>	392,210	1,614,296
Other	3,603,716	1,060,134
	<u>\$ 5,742,335</u>	<u>\$ 4,294,795</u>

Note 8: Net Assets Restricted and Designated For Permanent Endowment

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 aid, respectively.

The designated net assets of the Foundation represent funds designated by the Bishop to fund an endowment. Income generated by these assets is designated for support of seminarians.

Catholic Diocese of Fort Worth Advancement Foundation
Notes to Financial Statements
June 30, 2018 and 2017

Endowment net asset composition by type of funds at June 30, 2018 and 2017, follows:

	June 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 4,234,415	\$ 10,775,679	\$ 15,010,094
Board designated	585,074	-	-	585,074
	\$ 585,074	\$ 4,234,415	\$ 10,775,679	\$ 15,595,168

	June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 3,747,662	\$ 10,722,564	\$ 14,470,226
Board designated	585,074	-	-	585,074
	\$ 585,074	\$ 3,747,662	\$ 10,722,564	\$ 15,055,300

The changes in the endowment for the years ended June 30, 2018 and 2017, follow:

	June 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	\$ 585,074	\$ 3,747,662	\$ 10,722,564	\$ 15,055,300
Contributions	-	-	53,115	53,115
Investment income, net	-	143,815	-	143,815
Investment gains	12,000	797,878	-	809,878
Appropriation for expenditures	(12,000)	(454,940)	-	(466,940)
Balance, end of year	\$ 585,074	\$ 4,234,415	\$ 10,775,679	\$ 15,595,168

	June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	\$ 585,074	\$ 3,147,545	\$ 8,850,386	\$ 12,583,005
Contributions	-	-	1,872,178	1,872,178
Investment income, net	-	186,316	-	186,316
Investment gains	12,000	864,467	-	876,467
Appropriation for expenditures	(12,000)	(450,666)	-	(462,666)
Balance, end of year	\$ 585,074	\$ 3,747,662	\$ 10,722,564	\$ 15,055,300

Catholic Diocese of Fort Worth Advancement Foundation

Notes to Financial Statements

June 30, 2018 and 2017

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.

Strategies Employed for Achieving Objectives

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.

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.

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.

Catholic Diocese of Fort Worth Advancement Foundation

Notes to Financial Statements

June 30, 2018 and 2017

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.

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

- The original value of gifts donated to the permanent endowment,
- The original value of subsequent gifts to the permanent endowment, and
- 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 Uniform Prudent Management of Institutional Funds Act, 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

Substantially all of the Foundation's activities are conducted for the benefit of the Diocese and related entities and ministries, including fund raising activities and collection of contributions.

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 each of the years ended June 30, 2018 and 2017. The affiliate also often pays expenses on behalf of the Foundation. The Foundation had accounts payable to the affiliate of approximately \$72,000 and \$1,500,000 at June 30, 2018 and 2017, respectively.