

**Catholic Diocese of Fort Worth**  
**Advancement Foundation**

Independent Auditor's Report and Financial Statements

June 30, 2021

**Catholic Diocese of Fort Worth  
Advancement Foundation  
June 30, 2021**

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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, 2021, and the related statements of activities, functional expenses 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 Foundation'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 Foundation'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 Catholic Diocese of Fort Worth Advancement Foundation as of June 30, 2021, 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.

***Emphasis of Matters***

As described in *Note 2* to the financial statements, in 2021, the Foundation adopted Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* and Accounting Standards Update 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

**BKD, LLP**

Fort Worth, Texas  
February 3, 2022

**Catholic Diocese of Fort Worth Advancement Foundation**  
**Statement of Financial Position**  
**June 30, 2021**

<b>Assets</b>	
Cash	\$ 14,106,608
Prepaid expenses and other assets	35,192
Contributions receivable, less allowance for doubtful accounts and unamortized discount of \$4,173,231	6,162,388
Investments	66,249,166
Promissory notes receivable	404,500
Note receivable	4,000,000
Right of use asset - operating lease	377,402
Property and equipment, net	88,488
Mineral interest	594,903
Investments restricted for endowment	<u>18,321,822</u>
Total assets	<u>\$ 110,340,469</u>
<b>Liabilities and Net Assets</b>	
<b>Liabilities</b>	
Accounts payable	\$ 57,018
Due to affiliate	295,588
Accrued expenses	34,790
Securities sold short (proceeds \$4,483,616)	4,678,905
Grants payable	2,233,402
Funds held for others	32,821,430
Annuity obligations	221,042
Lease liability	384,429
Contributions payable - parishes and affiliates, net	<u>19,960,095</u>
Total liabilities	<u>60,686,699</u>
<b>Net Assets</b>	
Without donor restrictions - Undesignated	(3,083,328)
Without donor restrictions - Designated	6,513,860
With donor restrictions	<u>46,223,238</u>
Total net assets	<u>49,653,770</u>
Total liabilities and net assets	<u>\$ 110,340,469</u>

**Catholic Diocese of Fort Worth Advancement Foundation**  
**Statement of Activities**  
**Year Ended June 30, 2021**

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Revenue and Other Support</b>			
Contributions	\$ 41,859	\$ 3,209,318	\$ 3,251,177
Investment return, net of fees	1,312,316	6,644,537	7,956,853
Fees and related charges	464,234	-	464,234
Other	61,046	-	61,046
Mineral income	190,251	99,150	289,401
Net assets released from restrictions	4,588,405	(4,588,405)	-
	<u>6,658,111</u>	<u>5,364,600</u>	<u>12,022,711</u>
<b>Expenses</b>			
Program services			
Support to parishes and schools	4,836,169	-	4,836,169
Support services			
General and administrative	1,791,708	-	1,791,708
Fundraising	620,356	-	620,356
	<u>7,248,233</u>	<u>-</u>	<u>7,248,233</u>
<b>Change in Net Assets</b>	(590,122)	5,364,600	4,774,478
<b>Net Assets, Beginning of Year</b>	<u>4,020,654</u>	<u>40,858,638</u>	<u>44,879,292</u>
<b>Net Assets, End of Year</b>	<u>\$ 3,430,532</u>	<u>\$ 46,223,238</u>	<u>\$ 49,653,770</u>

**Catholic Diocese of Fort Worth Advancement Foundation**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2021**

	Program Services		Supporting Services		Total
	Support to Parishes and Schools	General and Administrative	Fundraising	Total Supporting Services	
Services and professional fees	\$ -	\$ 1,058,867	\$ 26,984	\$ 1,085,851	\$ 1,085,851
Compensation and benefits	-	296,924	367,900	664,824	664,824
Other program services	-	10,174	4,530	14,704	14,704
Systems and software	-	123,687	-	123,687	123,687
Staff development and recognition	-	1,483	2,313	3,796	3,796
Rent and utilities	-	112,568	-	112,568	112,568
Membership, dues and subscriptions	-	8,793	119	8,912	8,912
Meetings and seminars	-	6,715	216	6,931	6,931
Program materials	-	1,078	-	1,078	1,078
Repairs and maintenance	-	462	-	462	462
Travel	-	5,984	-	5,984	5,984
Postage	-	11,609	40,367	51,976	51,976
Printing and copying	-	19,151	140,952	160,103	160,103
Supplies	-	26,073	791	26,864	26,864
Advertising and promotion	-	4,249	2,354	6,603	6,603
Annuity underwriting obligation	-	69,253	-	69,253	69,253
Other	-	16,274	4,691	20,965	20,965
Grants	4,836,169	-	-	-	4,836,169
Bank fees	-	10,580	26,895	37,475	37,475
Depreciation	-	7,784	2,244	10,028	10,028
<b>Total Expenses</b>	<b>\$ 4,836,169</b>	<b>\$ 1,791,708</b>	<b>\$ 620,356</b>	<b>\$ 2,412,064</b>	<b>\$ 7,248,233</b>

**Catholic Diocese of Fort Worth Advancement Foundation**  
**Statement of Cash Flows**  
**Year Ended June 30, 2021**

**Operating Activities**

Change in net assets	\$ 4,774,478
Items not requiring (providing) operating activities cash flows:	
Net realized and unrealized loss on investments	7,715,876
Depreciation	10,028
Adjustment of annuity obligations to fair value	46,477
Contribution recognized from annuity obligations	(28,904)
Contributions restricted for endowment	(20,146)
Right of use asset amortization	68,353
Change in operating assets and liabilities:	
Prepaid expenses and other assets	40,288
Contributions receivable	(5,305,191)
Accounts payable	(89,125)
Due to affiliates	(594,330)
Accrued expenses	(37,290)
Grants payable	188,246
Funds held for others	5,652,390
Contributions payable - parishes and affiliates	4,676,978
Operating lease liability	<u>(61,326)</u>
Net cash provided by operating activities	<u>17,036,802</u>

**Investing Activities**

Purchase of property and equipment	(58,847)
Proceeds from securities sold short	4,483,616
Advances on promissory notes receivable	(404,500)
Advances on note receivable	(4,000,000)
Proceeds from sale of investments	227,638,999
Purchase of investments	<u>(247,903,921)</u>
Net cash used in investing activities	<u>(20,244,653)</u>

**Financing Activities**

Proceeds received for contributions restricted for endowment	20,146
Payments of annuity obligations	<u>(9,358)</u>
Net cash provided by financing activities	<u>10,788</u>

**Net Change in Cash** (3,197,063)

**Cash, Beginning of Year** 17,303,671

**Cash, End of Year** \$ 14,106,608

Supplemental Disclosure of Cash Flow Information:

ROU asset obtained in exchange for new operating lease liabilities \$ 445,755



# **Catholic Diocese of Fort Worth Advancement Foundation**

## **Notes to Financial Statements**

### **June 30, 2021**

#### **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 a tax-exempt organization. It is charged with receiving, managing, and distributing contributions intended to benefit the supported activities of the Catholic Diocese of Fort Worth (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, 2021**

#### ***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, 2021, the Foundation did not have any assets that met this definition. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts and assets limited as to use, are not considered to be cash and cash equivalents. At June 30, 2021, cash consisted primarily of deposit accounts with a bank.

The Foundation had deposits of approximately \$15,240,000 in excess of federally insured limits at June 30, 2021.

#### ***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***

The Foundation measures securities at fair value. Investments in mineral interests are recorded at estimated market values, based on projected future cash flows.

#### ***Net Investment Return***

Investment returns include dividend, interest and other investment income and 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 specific identification method.

**Catholic Diocese of Fort Worth Advancement Foundation**  
**Notes to Financial Statements**  
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Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year, is recorded as net assets with donor restrictions and then released from restriction. Other investment return is reflected in the statement of activities, with or without donor restrictions, based upon the existence and nature of any donor or legally imposed restrictions.

The Foundation maintains pooled investment accounts for its Diocesan entities and endowment. 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 investment accounts, as adjusted for additions to or deductions from those accounts.

***Note Receivable***

The Foundation entered into a financing agreement with a Catholic school. The Foundation purchased a building from the school, and subsequently, entered into a lease arrangement with the school for the same building through 2028. The school has the option to purchase the building at any time during the lease term.

***Promissory Note Receivable***

The Foundation entered into two promissory note receivables during the year ended June 30, 2021.

***Property and Equipment***

Property and equipment acquisitions over \$2,500 are stated at cost, less accumulated depreciation. Depreciation is charged to expense on the straight-line basis over the estimated useful life of each asset. Land is carried at cost.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Furniture	5-10 years
Equipment	5-10 years

***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 year ended June 30, 2021.

**Catholic Diocese of Fort Worth Advancement Foundation**  
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**Contributions Payable – Parishes and Affiliates**

The Foundation receives funds on behalf of local parishes and schools that have collected contributions for capital projects. These amounts are held until paid to the affiliates for capital acquisitions.

**Annuity Obligations**

Annuity obligations are based on the present value of the future annuity payments.

**Grants Payable and Grants Expense**

Grants payable represents grants that have been authorized and met any conditions prior to year-end but remain unpaid as of the statement of financial position date. Grant expense is recognized in the period in which the Foundation’s notifies the grantee and substantially all conditions have been met.

At June 30, 2021, there were no conditional contributions awarded and outstanding.

**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 Foundation 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:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Foundation overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value

**Catholic Diocese of Fort Worth Advancement Foundation**  
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**June 30, 2021**

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 having donor stipulations which are satisfied in the period the gift 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 also include services received from personnel of an affiliate. No amounts have been reflected in the statement of activities for donated services because this criterion 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.

# Catholic Diocese of Fort Worth Advancement Foundation

## Notes to Financial Statements

### June 30, 2021

#### ***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. Accordingly, certain costs have been allocated among supporting services by specific identification of costs or approximate percentage of time expended.

#### **Note 2: Change in Accounting Principle**

On July 1, 2020, the Foundation adopted the Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, (ASU 2014-09) using a modified retrospective method of adoption to all contracts that are not completed at the date of initial application.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the Foundation expects to be entitled in exchange for those services.

The amount to which the Foundation expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing services.

Adoption of ASU 2014-09 resulted in changes to related disclosures in the notes to the financial statements. See *Note 15*.

On July 1, 2020, the Foundation adopted the Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases (Topic 842)*, (ASU 2016-02) using a modified retrospective method of adoption at the period in which it is adopted at July 1, 2020. See *Note 14*.

#### **Note 3: Contributions Receivable**

Contributions receivable are measured at the present value of the estimated future cash flows using a discount rate equal to the risk-free borrowing rate (ranging from 0.29% to 2.63%) applicable to the year the pledge was made, resulting in an unamortized discount of \$64,973 at June 30, 2021. 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 \$4,108,258 is considered necessary at June 30, 2021.

**Catholic Diocese of Fort Worth Advancement Foundation**  
**Notes to Financial Statements**  
**June 30, 2021**

Collection of contributions receivable is expected as follows as of June 30, 2021:

Due in one year	\$ 5,206,629
Due in two years	2,896,051
Due in three years	1,946,789
Due in four years	<u>286,150</u>
	10,335,619
Less allowance for uncollectible contributions	(4,108,258)
Less unamortized discount	<u>(64,973)</u>
Contributions receivable, net	<u>\$ 6,162,388</u>

**Note 4: Fair Value of Assets and Liabilities**

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. The hierarchy comprises 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 that are significant to the fair value of the assets or liabilities

**Catholic Diocese of Fort Worth Advancement Foundation**  
**Notes to Financial Statements**  
**June 30, 2021**

**Recurring Measurements**

The following table presents the fair value measurements of assets and liabilities 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, 2021:

	Total Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Publicly Traded Investments				
Cash equivalents	\$ 20,902,265	\$ 20,902,265	\$ -	\$ -
Corporate bonds	8,747,772	8,747,772	-	-
Collateralized mortgage obligations	788,493	788,493	-	-
Asset backed securities	278,429	278,429	-	-
Stocks	41,802,716	41,802,716	-	-
US Government obligations	3,274,610	-	3,274,610	-
Catholic bonds	6,890,355	-	6,890,355	-
Gold fund	1,319,250	1,319,250	-	-
Options	117,098	117,098	-	-
Limited partnerships	450,000	-	-	450,000
Total investments	<u>\$ 84,570,988</u>	<u>\$ 73,956,023</u>	<u>\$ 10,164,965</u>	<u>\$ 450,000</u>
Mineral interest	<u>\$ 594,903</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 594,903</u>
<b>Liabilities</b>				
Securities sold short	<u>\$ 4,678,905</u>	<u>\$ 4,678,905</u>	<u>\$ -</u>	<u>\$ -</u>



**Catholic Diocese of Fort Worth Advancement Foundation**  
**Notes to Financial Statements**  
**June 30, 2021**

***Reconciliation of Investments to Statement of Financial Position***

Investments	\$ 66,249,166
Investments restricted for endowment	18,321,822
	<u>\$ 84,570,988</u>

Investment return activity for the fiscal year ending June 30, 2021, consists of the following:

Dividends and interest, net of fees	\$ 240,977
Unrealized and realized losses	7,715,876
	<u>\$ 7,956,853</u>

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 statement 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, 2021. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

***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.

***Catholic Bonds***

On December 23, 2020, the Foundation served as a party to a financing transaction, whereby Nolan Catholic High School (School), acting as conduit borrower, borrowed \$15,750,000 under revenue bonds (collectively, the “Series 2020-1 Bonds”) to fund capital projects and to refinance existing debt. The School, a Texas nonprofit association, is a separate canonical public juridic person operating within the Catholic Diocese of Fort Worth.

# Catholic Diocese of Fort Worth Advancement Foundation

## Notes to Financial Statements

### June 30, 2021

The financing transaction included (i) \$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 and (ii) \$1,000,000 of Taxable Senior Revenue Bonds, Series 2020-1A and \$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. The Series 2020-1A and Series 2020-1B Bonds are public bonds with a CUSIP which are exempt from registration under the federal securities laws (“CUSIP Bonds”). The Foundation may resell the CUSIP Bonds through the placement agent for the offering, who has indicated its intention to make a market for such bonds. The CUSIP Bonds are expected to be thinly traded.

At June 30, 2021, the fair value of the bonds was \$6,750,337. In addition, at June 30, 2021, the Foundation had investments in other Catholic entities totaling \$140,018.

### **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 has 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 following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statement of financial position using significant unobservable inputs:

Balance, beginning of year	\$ 921,866
Unrealized gain (loss)	(426,113)
Income	<u>99,150</u>
Balance, end of year	<u>\$ 594,903</u>

Total losses for the period included in change in net assets attributable to the change in unrealized losses related to assets and liabilities still held at the reporting date	<u>\$ (426,113)</u>
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**Catholic Diocese of Fort Worth Advancement Foundation**  
**Notes to Financial Statements**  
**June 30, 2021**

***Unobservable (Level 3) Inputs***

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at June 30, 2021:

	Fair Value at 6/30/2021	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Mineral interest	\$ 594,903	Market comparables	Cash flow multiple	6x

***Limited Partnerships***

The Foundation has invested in two limited partnerships and has a noncontrolling limited partnership interest in each. Both of the partnerships have investments in multi-family developments. The interest of one limited partnership was purchased in March 2021, and the second in May 2021, for \$250,000 and \$200,000, respectively. Management believes that cost approximates fair value at June 30, 2021.

**Note 5: Note Receivable**

In May 2021, the Foundation entered into a sale-leaseback transaction whereby the Foundation purchased property for \$4,000,000 from a Catholic high school and leased it back to this same school for seven years with two 5 year renewal options. The agreement contains certain provisions, including a "right of first refusal" to sell the property and an option for the school to purchase the property at fair value. In accordance with Accounting Standards Codification, Topic 842, Leases, based on terms included in the agreement, this transaction does not meet the criteria of a sale, and must be treated as a note receivable. The Foundation recognizes interest income on this transaction using an imputed interest rate of 4%.

The lease payments due from the school are as follows:

2022	\$ 109,583
2023	115,000
2024	122,083
2025	200,000
2026	200,000
Thereafter	<u>433,334</u>
	<u>\$ 1,180,000</u>

**Catholic Diocese of Fort Worth Advancement Foundation**  
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**Note 6: Promissory Notes Receivable**

At June 30, 2021 promissory notes consist of two notes with a combined balance of \$404,500.

The Foundation entered into an uncollateralized promissory note agreement on May 24, 2021 for an amount up to \$1,500,000. Accrued and unpaid interest on the note are due and payable in quarterly installments beginning on June 30, 2021. In lieu of repayment obligations, the Foundation may elect, at its sole discretion, to convert any or all unpaid principal amount of the note and any or all accrued but unpaid interest thereon into Class A Preferred Units of IWP Holdings, LLC, a Texas limited liability company. The option shall expire on May 25, 2024, and the Foundation may exercise the option more than once during this period. At June 30, 2021, the note receivable balance is \$179,500. The note bears a 5% interest rate and is due May 21, 2026.

The Foundation entered into a collateralized promissory note on December 30, 2020, for \$225,000 with Whole Life Authentic Care. Interest only payments are due through December 31, 2021, and principal and interest payments begin January 31, 2022. The note is due December 31, 2023. At June 30, 2021, the note receivable balance is \$225,000, and it bears a 4.5% interest rate.

Principal payments are due as follows:

2022	\$ 35,275
2023	72,972
2024	116,753
2025	-
2026	179,500
	<u>\$ 404,500</u>

**Note 7: Property and Equipment**

Property and equipment at June 30, 2021, consists of:

Land	\$ 39,669
Furniture and equipment	58,847
	<u>98,516</u>
Less accumulated depreciation	(10,028)
	<u>\$ 88,488</u>

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**Note 8: 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, 2021:

The Schools Trust	\$ 18,467,070
The Cemeteries Trust	2,854,463
Parishes and schools of the Diocese	11,367,034
Other	<u>132,863</u>
	<u>\$ 32,821,430</u>

**Note 9: Annuity Obligations**

The Foundation has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The Foundation has recorded a liability at June 30, 2021, of \$221,042, which represents the present value of the future annuity obligations. The liability has been determined by using a discount rate that reflects the life expectancy of the annuitant and the applicable federal rate at the date of the gift. This liability is remeasured annually, and any adjustment necessary is recognized in the statements of activities.

Contribution revenue recognized under such agreements was \$28,904 for the year ended June 30, 2021. Expenses recognized for these annuities for the year ended June 30, 2021, were \$75,229.

**Catholic Diocese of Fort Worth Advancement Foundation**  
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**Note 10: Contributions Payable – Parishes and Affiliates**

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. The *All Things Possible* campaign began in 2011 and is substantially complete. The amounts that remain payable represent the collections by the Foundation of certain contributions on behalf of local parishes and schools that participated in the campaign, which are due within six months after completion of their campaign. The portion of unpaid pledges is reflected as contributions receivable on the statement of financial position. Contributions payable to parishes and schools are reduced by the related discount of \$64,973 (effective rate of 1.04%) at June 30, 2021, and allowance for doubtful contributions receivable of \$4,108,258 at June 30, 2021.

The composition of contributions payable, net of discount and allowance for doubtful contributions at June 30, 2021 follows:

Contributions Payable for local share of <i>Capital Project Campaign Fund</i>	\$ 19,898,100
Contributions payable for local share of <i>All Things Possible</i>	58,375
Contributions payable for noncurrent local campaigns	<u>3,620</u>
	<u>\$ 19,960,095</u>

Payments for the contributions payable are expected to be paid out as follows as of June 30, 2021:

Due in one year	\$ 6,387,230
Due in two to four years	<u>13,572,865</u>
	<u>\$ 19,960,095</u>

**Catholic Diocese of Fort Worth Advancement Foundation**  
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**Note 11: Net Assets**

***Net Assets With Donor Restrictions***

Net assets with donor restrictions consist of the following at June 30, 2021:

**Subject to Expenditure for Specified Purpose**

Schools Trust	\$ 4,959,003
Healthcare	20,149,285
<i>All Things Possible</i>	2,473,357
Other	<u>319,771</u>
	<u>27,901,416</u>

**Endowments**

Subject to appropriation and expenditure when a specified event occurs	
Restricted by donors for	
Seminarian support	5,290,974
Schools Trust	<u>2,015,712</u>
	<u>7,306,686</u>

Subject to NFP endowment spending policy and appropriation	
Seminarian support	6,605,841
Schools Trust	<u>4,409,295</u>
	<u>11,015,136</u>

Total endowments	<u>18,321,822</u>
	<u><u>\$ 46,223,238</u></u>

**Catholic Diocese of Fort Worth Advancement Foundation**  
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**Net Assets Without Donor Restrictions**

Net assets without donor restrictions have been designated for the following purposes at June 30, 2021:

<b>Endowment</b>	
Seminarians	\$ 144,469
Diocesan Retreat Center	2,561,863
	<u>2,706,332</u>
<b>Ongoing Programs</b>	
Schools Trust	3,296,666
Healthcare	231,040
Other	279,822
	<u>3,807,528</u>
Total designated	<u>\$ 6,513,860</u>

The undesignated net assets without donor restrictions indicates an over designated amount of \$3,237,832. The Foundation's board of directors is able to change the designated funds to undesignated for the endowment funds or the funds designated for ongoing programs to meet its obligations as necessary.

**Net Assets Released from Restrictions**

During 2021, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follow:

Satisfaction or purpose restriction	
Schools Trust	\$ 27,928
Healthcare	952,523
<i>All Things Possible</i>	76,864
Annual Diocesan Appeal	2,989,972
	<u>4,047,287</u>
Restricted purpose spending - rate distributions and appropriations:	
Seminarian support	504,986
Schools Trust	36,132
	<u>541,118</u>
	<u>\$ 4,588,405</u>



**Catholic Diocese of Fort Worth Advancement Foundation**  
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**Note 12: Endowment**

The Foundation’s governing body is subject to the State of Texas Uniform Prudent Management of Institutional Funds Act (UPMIFA). As a result, the Foundation classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. All of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

The endowed funds are 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.

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

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The Foundation’s endowment consists of two individual restricted funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of funds at June 30, 2021 follows:

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
Board designated endowment funds	\$ 2,706,332	\$ -	\$ 2,706,332
Donor restricted			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	11,015,136	11,015,136
Accumulated investment gains	-	7,306,686	7,306,686
	<u>\$ 2,706,332</u>	<u>\$ 18,321,822</u>	<u>\$ 21,028,154</u>

**Catholic Diocese of Fort Worth Advancement Foundation**  
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The changes in the endowment for the year ended June 30, 2021, follow:

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
Balance, beginning of year	\$ 2,271,329	\$ 15,730,406	\$ 18,001,735
Contributions	16,000	20,146	36,146
Investment return, net of fees	419,003	3,112,388	3,531,391
Appropriation for expenditures	-	(541,118)	(541,118)
Balance, end of year	<u>\$ 2,706,332</u>	<u>\$ 18,321,822</u>	<u>\$ 21,028,154</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 Board of Directors 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.

# Catholic Diocese of Fort Worth Advancement Foundation

## Notes to Financial Statements

### June 30, 2021

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 1<sup>st</sup> over the past five rolling years may be withdrawn quarterly for disbursement in accordance with donor restrictions.

#### ***Underwater Endowments***

The governing body of the Foundation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of:

- a) the original value of initial and subsequent gift amounts donated to the fund and
- b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Foundation has interpreted UPMIFA to not permit spending from underwater funds in accordance with the prudent measures required under the law.

At June 30, 2021, a fund with original gift values of \$2,055,608; fair values of \$1,072,678 and deficiencies of \$968,116, were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

**Catholic Diocese of Fort Worth Advancement Foundation**  
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**Note 13: 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 utilizes personnel employed by the Diocese and also utilizes postage, copying and supplies for which the Foundation reimburses the Diocese. The Foundation also makes annual grants to the Diocese to support its mission. During 2021, the Foundation paid the Diocese for the following amounts as of June 30, 2021:

	<u>Expense</u>	<u>Payable</u>
Diocese personnel	\$ 619,239	\$ 43,588
Postage, copying and other supplies	20,699	2,000
Management fee	12,000	-
Diocese grant	<u>1,209,753</u>	<u>250,000</u>
	<u>\$ 1,861,691</u>	<u>\$ 295,588</u>

**Note 14: Leases**

***Change in Accounting Principle***

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented, or as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

The Foundation adopted Topic 842 on July 1, 2020 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Foundation has lease agreements with nonlease components that relate to the lease components. The Foundation elected the practical expedient to account for nonlease components, and the lease components to which they relate as a single lease component for all. Also, the Foundation elected to keep short-term leases with an initial term of 12 months or less, off the statement of financial position. The Foundation did not elect the hindsight practical expedient in determining the lease term for existing leases as of July 1, 2020.

# Catholic Diocese of Fort Worth Advancement Foundation

## Notes to Financial Statements

### June 30, 2021

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$445,755 and \$445,755 respectively at the beginning of the lease term. The standard did not significantly affect the statement of activities or statement of cash flows.

#### ***Accounting Policies***

The Foundation determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease 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, measured on a discounted basis. The Foundation determines lease classification as operating or finance at the lease commencement date. At June 30, 2021, the Foundation has no financing leases.

The Foundation combines lease and nonlease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office building.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Foundation has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Foundation is reasonably certain to exercise. However, at June 30, 2021, the Foundation did not include the extended terms as it is not reasonably certain to exercise the options. Lease expense is generally recognized on a straight-line basis over the lease term.

Leases agreements with total payments over the term in excess of \$2,500 are capitalized.

#### ***Nature of Leases***

The Foundation has entered into the following lease arrangements:

##### ***Operating Lease***

The Foundation has a lease for office space that expires in 2025. This lease contains renewal options for five years and requires the Foundation to pay all executory costs (property taxes, maintenance and insurance). Lease payments have an escalating fee schedule, which range from a 3.4% to 4% percent increase each year. The office lease offers a one-time option to terminate the lease effective at the end of the thirty-sixth full month of the term. The office lease payment contains a variable lease payment based on the Consumer Price Index (CPI) stipulated for the last period published prior to the commencement date (base index). In the event the CPI is in excess of the base index, the variable lease payment will be adjusted for the change in the CPI.

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The Foundation has no material related-party leases.

The Foundation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**Quantitative Disclosures**

The lease cost for the year ended June 30, 2021 was \$61,326. At the inception of the office space lease, the Foundation use a discount rate of 1.6%. At June 30, 2021 the remaining lease term on the office space is approximately 6 years.

Future minimum lease payments and reconciliation to the statement of financial position at June 30, 2021, are as follows:

2022	\$ 88,918
2023	92,360
2024	95,802
2025	99,244
2026	<u>16,638</u>
Total future undiscounted lease payments	392,962
Less interest	<u>8,533</u>
Lease Liabilities	<u>\$ 384,429</u>

**Subsequent Lease Modifications**

On July 31, 2021, the Foundation has entered into an additional operating lease, primarily to expand the office space leased, with a total additional lease payment of approximately \$278,000. The additional operating lease commenced on August 14, 2021 with a lease term of 5 years.

The minimum lease commitments are as follows:

2022	\$ 35,675
2023	37,102
2024	38,529
2025	39,956
2026	41,383
Thereafter	<u>85,620</u>
	<u>\$ 278,265</u>

**Catholic Diocese of Fort Worth Advancement Foundation**  
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**Note 15: Revenue from Contracts with Parishes and Affiliates**

***Investment Management Fee Revenue***

The Foundation manages investments on behalf of parishes, schools and other affiliates within the Catholic Diocese of Fort Worth. The Foundation is entitled to a .5% - 1% investment management fee on the value of the funds invested. Performance obligations are determined based on the nature of the services provided by the Foundation in accordance with the contract. Revenue for performance obligations satisfied over time is recognized ratably over the year based on time elapsed. The Foundation believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

***Contract Balances***

At June 30, 2021, the Foundation had no receivables or contract liabilities from parishes, schools and affiliates.

***Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations***

The performance obligations for these contracts are generally completed over time for as long as the funds are invested and managed by the Foundation. The Foundation assesses the investment management fee at the end of each month as services are provided to the parishes and affiliates.

***Significant Judgments***

The Foundation determines the transaction price based on standard charges for services provided in accordance with the Foundation's policy. There are no implicit or explicit price concessions provided to parishes and affiliates.

***Disaggregation of Revenue***

For the year ended June 31, 2021, the Foundation recognized revenue over time from investment management fees charged to parishes and affiliates of \$340,298.

**Catholic Diocese of Fort Worth Advancement Foundation**  
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**Note 16: 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, 2021, comprise of the following:

Financial assets at year end	
Cash	\$ 14,106,608
Contributions receivable, net	6,162,388
Note receivable	4,000,000
Promissory notes receivable	404,500
Investments	<u>84,570,988</u>
Total financial assets at year end	109,244,484
Less amounts not available to be used within one year	
Funds held for others	(32,821,430)
Contributions payable - parishes and affiliates, net	(19,960,095)
Note receivable	(3,890,417)
Promissory notes receivable	(369,225)
Donor imposed restrictions	
Restricted for purpose	(25,726,816)
Endowment	(18,321,822)
Internal designations	
Quasi-endowments	(2,706,332)
Ongoing programs	<u>(3,807,528)</u>
Financial assets not available to be used within one year	<u>(107,603,665)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,640,819</u>

The Foundation receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. Donor-restricted endowment funds are not available for general expenditure.

The Foundation considers appropriated earnings from donor-restricted endowments and contributions with donor restrictions for use in current programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year. For the year ended June 30, 2021, restricted contributions of \$2,174,600 were included in financial assets available to meet cash needs for general expenditures within one year.



# Catholic Diocese of Fort Worth Advancement Foundation

## Notes to Financial Statements

### June 30, 2021

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets
- Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments and obligations under endowments with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation's Grant Committee (the Committee) meets annually to review and approve parish and school grant requests. In addition, the Foundation receives grant requests throughout the year from schools, parishes and other affiliated Catholic entities in the Diocese. These requests are reviewed and approved by the Foundations chief executive officer. The majority of these grants represent disbursements from the restricted contributions of the Annual Diocesan Appeal.

The board-designated endowment of \$2,706,332 is subject to an annual spending rate of 5 percent as described in *Note 12*. Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

#### **Note 17: Significant Estimates**

##### ***Investments***

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statement of financial position.

#### **Note 18: Risks and Uncertainties**

##### ***Economic Conditions***

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Foundation. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

# Catholic Diocese of Fort Worth Advancement Foundation

## Notes to Financial Statements

### June 30, 2021

#### Note 19: Subsequent Events

Subsequent events have been evaluated through February 3, 2022, which is the date the financial statements were issued.

On September 22, 2021, the Foundation entered into an agreement with a third-party to form Brick Wall General Partner, LLC (Brick Wall GP). Brick Wall GP, a Delaware Limited Liability Company, was established for the express and sole purpose of serving as the general partner for the Catholic Financial Ecosystem™ Flexible Income Fund, LP, a Delaware limited partnership. The general partnership provides for three membership classes: Class A Membership interests, which exclusively entitle holders to vote, provide consent, or approve any matters requiring such action; Class B Membership Interests, which entitle holders to first priority distributions pro rata to ownership of such interests and currently represent the entirety of general partner's capital contribution and purchase of units in the fund; and Class C Membership interests, which entitle holders to second priority distributions pro rata to ownership of aggregate membership interests. The Foundation maintains a 50% interest in Class A Membership interests and 100% interest, totaling \$700,000, in Class B Membership interests. No Class C Membership interests are currently outstanding. The limited partnership agreement provides for semi-annual redemption periods, and further caps such redemptions subject to certain constraints and the discretion of the general partner. The Foundation's chief executive officer serves as the president of Brick Wall GP.

On August 1, 2021 the Foundation entered into a collateralized promissory note agreement for \$750,000 with Gilbert Surprise AL Invest, LLC, a Texas limited liability company. Interest only payments are due monthly through July 30, 2022 and principal and interest payments begin August 30, 2022. The note is due July 30, 2024. The note bears a 10% interest rate.

On September 1, 2021, the Foundation entered into a participation and development agreement with Calloway Engineering, LLC (CE), a Texas corporation, for certain leasehold interests and limited exploration, development and operational rights owned by CE. The Foundation has invested \$2,099,013 for 60% working interest in the development and drilling of the well.

On September 22, 2021, the Foundation entered into an agreement with a third party to form LTCU, LLC. LTCU, LLC, a Texas limited liability company, was establish for the express purpose of purchasing nine rental properties in close proximity to Texas Christian University (TCU) campus. The Foundation invested \$1,500,000 to acquire a 90% interest in LTCU, LLC. The Foundation is a passive investor in the LLC, as the 10% owner is the managing member, subject to the fiduciary responsibilities and liabilities of the management and operations.

On October 18, 2021, the Foundation entered into a collateralized promissory note agreement for \$750,000 with Gilbert AL Partners, LP, a Texas limited partnership. Interest only payments are due monthly through October 31, 2022 and principal and interest payments begin November 30, 2022. The note is due October 31, 2024. The note bears a 10% interest rate.

**Catholic Diocese of Fort Worth Advancement Foundation**  
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On December 9, 2021, the Foundation entered into a collateralized promissory note agreement for \$1,000,000 with Mucho Mas Media, LLC. Interest only payments are due monthly through December 31, 2022 and principal and interest payments begin January 31, 2023. The note is due January 31, 2025. The note bears a 11% interest rate.

**Note 20: Future Change in Accounting Principle**

***Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets***

On September 17, 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Topic 958: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The standard requires contributed nonfinancial assets to be presented on a separate line item in the statement of activities, segregated apart from contributions of cash and other financial assets. Additionally, disclosure requirements have been amended to require a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets, as well as specific disclosure requirements for each category recognized. The amendments in this Update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted.