

CATHOLIC FOUNDATION OF NORTH TEXAS

FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Catholic Foundation of North Texas

We have audited the accompanying statements of financial position of the Catholic Foundation of North Texas as of June 30, 2005 and 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Catholic Foundation of North Texas as of June 30, 2005 and 2004, and the change in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
October 27, 2005

CATHOLIC FOUNDATION OF NORTH TEXAS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and cash equivalents	\$ 1,240,974	\$ 1,387,471
Accounts receivable	1,232	1,163
Pledges receivable	1,310	1,324,791
Investments:		
Marketable securities	33,352,105	33,248,179
Mineral interests	1,171,000	915,000
Land and buildings	109,335	96,115
Other assets	<u>118,169</u>	<u>10,229</u>
TOTAL ASSETS	<u><u>\$ 35,994,125</u></u>	<u><u>\$ 36,982,948</u></u>
 LIABILITIES		
Accounts payable	\$ 11,805	\$ 9,859
Due to Central Office	57,634	57,261
Annuity obligations	414,138	438,660
Funds held for others	<u>11,836,785</u>	<u>12,916,170</u>
Total liabilities	12,320,362	13,421,950
 NET ASSETS		
Unrestricted	1,117,025	1,146,188
Temporarily restricted	19,963,623	20,063,744
Permanently restricted	<u>2,593,115</u>	<u>2,351,066</u>
Total net assets	<u>23,673,763</u>	<u>23,560,998</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 35,994,125</u></u>	<u><u>\$ 36,982,948</u></u>

CATHOLIC FOUNDATION OF NORTH TEXAS
STATEMENTS OF ACTIVITIES
JUNE 30, 2005 AND 2004

	2005			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE AND SUPPORT				
Contributions	\$ 150,161	\$ 54,627	\$ 242,049	\$ 446,837
Net investment income	45,055	437,278	-	482,333
Net investment gains (losses)	(2,425)	701,361	-	698,936
Fees and related charges	92,313	-	-	92,313
Net assets released from restrictions	1,293,387	(1,293,387)	-	-
Total revenue and support	1,578,491	(100,121)	242,049	1,720,419
EXPENSES				
Program services:				
Administrative	214,844	-	-	214,844
Catholic Partnership Campaign	510,792	-	-	510,792
Grants	758,474	-	-	758,474
Financial services	123,544	-	-	123,544
Total expenses	1,607,654	-	-	1,607,654
CHANGES IN NET ASSETS	(29,163)	(100,121)	242,049	112,765
NET ASSETS, BEGINNING OF YEAR AS RESTATED	1,146,188	20,063,744	2,351,066	23,560,998
NET ASSETS, END OF YEAR	\$ 1,117,025	\$ 19,963,623	\$ 2,593,115	\$ 23,673,763

2004			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 34,209	\$ 196,449	\$ 351,423	\$ 582,081
39,758	360,167	-	399,925
217,333	2,174,096	-	2,391,429
69,704	-	-	69,704
<u>1,152,772</u>	<u>(1,152,772)</u>	<u>-</u>	<u>-</u>
<u>1,513,776</u>	<u>1,577,940</u>	<u>351,423</u>	<u>3,443,139</u>
146,377	-	-	146,377
334,583	-	-	334,583
662,491	-	-	662,491
131,206	-	-	131,206
<u>1,274,657</u>	<u>-</u>	<u>-</u>	<u>1,274,657</u>
239,119	1,577,940	351,423	2,168,482
<u>907,069</u>	<u>18,485,804</u>	<u>1,999,643</u>	<u>21,392,516</u>
<u>\$ 1,146,188</u>	<u>\$ 20,063,744</u>	<u>\$ 2,351,066</u>	<u>\$ 23,560,998</u>

CATHOLIC FOUNDATION OF NORTH TEXAS
STATEMENTS OF CASH FLOWS
JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 112,765	\$ 2,168,482
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Loss on sale of real estate	-	175,678
Realized and unrealized losses in market value of investments	(698,936)	(2,391,429)
Decrease (Increase) in accounts receivable	(69)	37
Decrease in pledges receivable	1,323,481	1,295,861
Increase in other assets	(107,940)	-
Increase (Decrease) in accounts payable	1,946	(426)
Increase in due to Central Office	373	13,861
Decrease in funds held for others	<u>(1,079,385)</u>	<u>(1,837,843)</u>
Net cash provided by (used in) operating activities	(447,765)	(575,779)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale (Purchase) of investment, net	325,790	(1,614,180)
Proceeds from sale of real estate	<u>-</u>	<u>300,487</u>
Net cash provided by (used in) investing activities	<u>325,790</u>	<u>(1,313,693)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of annuity obligations	(24,522)	(25,701)
Amounts received from annuitants	<u>-</u>	<u>28,513</u>
Net cash provided by (used in) financing activities	<u>(24,522)</u>	<u>2,812</u>
Net decrease in cash and cash equivalents	(146,497)	(1,886,660)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,387,471</u>	<u>3,274,131</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 1,240,974</u></u>	<u><u>\$ 1,387,471</u></u>

**CATHOLIC FOUNDATION OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Organization

The accompanying financial statements include the assets, liabilities, net assets and financial activities of the Catholic Foundation of North Texas (the Foundation), the Catholic Schools Trust, the Catholic Cemeteries Trust and the St. Joseph's Health Care Trust. The Trusts are governed by one board of trustees. Each of these affiliated entities of the Diocese of Fort Worth (the Diocese) is ultimately responsible to the Bishop.

The Foundation was established by the governance of the Diocese to receive and manage bequests, endowments and other resources as an additional means to provide support for the ministries and programs of the parishes, schools and other agencies of the Diocese.

The programs of the Foundation are comprised of:

Administrative - provides administrative reimbursement for the Central Office of the Diocese of Fort Worth (the Central Office) and other entities of the Diocese.

Catholic Partnership Campaign - a multi-year Diocesan capital campaign established to generate a long-term base of financial support for key pastoral priorities and programs.

Grants - grant of funds to agencies, primarily within the Diocese, to further their programs and goals which are similar to those of the Diocese.

Financial Services - provides accounting, property management, and other financial affairs for the Foundation.

The Catholic Schools Trust (the Schools Trust) was established by the Diocese to receive, manage, invest, and distribute properties, assets, and monies given to the Diocese for the use and benefit of the schools that are a part of the Diocese and for religious and educational purposes in the Diocese.

The Catholic Cemeteries Trust (the Cemeteries Trust) was established by the Diocese to receive, manage, invest, and distribute properties, assets, and monies given to the Diocese for the use and benefit of cemeteries, which are a part of the Diocese.

The St. Joseph's Health Care Trust (Health Trust) was established to receive, manage, invest and distribute properties, assets and monies given to the Diocese for the use and benefit of health care programs in the Diocese.

CATHOLIC FOUNDATION OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are measured at fair values in the Statement of Financial Position. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the Statement of Activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by the donor or law.

The Foundation invests some of its assets in an investment pool that uses the market value unit method of accounting for investment transactions. Under this method, each fund or Diocese entity is assigned a number of units based on the relationship of the market value of all investments at the time of entry into the pool. The pooled assets are revalued quarterly and new unit values are calculated. The unit value is used to determine the number of units to be allocated to new funds entering the pool, the allocation of recurring income, gains and losses, or to calculate the equity of funds withdrawing from the pool.

Cash and Cash Equivalents

For the purpose of presentation in the Statement of Cash Flow, cash and cash equivalents are defined as cash on hand and on deposit in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to cash and have original maturities when acquired of three months or less.

Contributions

Contributions are recognized when unconditional commitments are received and recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions.

When a donor restriction expires, (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donations of property, materials and services are recorded at fair value for donations having a measurable and objective basis for valuation. The Foundation recognizes contributed services received that require specialized skills, or that would enhance nonfinancial assets which would have been purchased, if not acquired through donation. The Foundation does not recognize revenue or expense associated with services contributed by religious personnel or volunteers since no objective basis is available to measure the value of such services. Several volunteers have donated significant amounts of time in the Foundation's programs and supporting services.

**CATHOLIC FOUNDATION OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes

The activities of the Foundation are exempt from Federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code, and the Foundation is not considered a private foundation. Accordingly, no provision for Federal income taxes has been made in the accompanying financial statements.

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 and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit and Market Risk

Concentration of credit and market risk for the Foundation consists primarily of cash, money market funds, investments and pledges receivable. The Foundation maintains its cash and money market accounts with quality financial institutions; however, for the year ended June 30, 2005 and at June 30, 2005 the Foundation's deposits with financial institutions exceeded the limits insured by the FDIC. The Foundation has not experienced any losses on its deposits that have been in excess of the FDIC limits. Management does not believe that it is subject to any significant credit risk on cash. The Foundation's investments are not considered to represent significant concentrations of market risk because the portfolio is reasonably diversified among issuers. The risk related to pledges receivable is minimized due to the large number of contributors to the Catholic Partnership Campaign.

NOTE 2. PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to make contributions to the Foundation from Catholics throughout the Diocese for use by the Foundation and other entities throughout the Diocese. The Foundation provides an allowance for uncollectible accounts for pledges that management believes may be uncollectible. Management determines the allowance based on prior experience, reviews of individual accounts, historical losses, existing economic conditions and other pertinent factors. All pledges recorded at June 30, 2005 are expected to be collected in fiscal 2006.

Fundraising costs of \$27,188 and \$334,583 were incurred for the years ended June 30, 2005 and 2004, respectively in relation to the Catholic Partnership Campaign and fundraising for the parishes. Included in the 2004 balance is \$330,000 related to an increase in the estimate of uncollectible pledges.

CATHOLIC FOUNDATION OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 3. INVESTMENTS

Investments in marketable securities are carried at market value and are comprised of the following:

	<u>2005</u>		
	<u>Cost</u>	<u>Market Value</u>	<u>Carrying Value</u>
Short-term investment funds	\$ 2,557,838	\$ 2,557,838	\$ 2,557,838
Government obligations	2,587,202	1,862,823	1,862,823
Corporate bonds	5,307,567	2,960,372	2,960,372
Equity securities	13,728,568	20,523,628	20,523,628
Mutual funds	4,310,022	5,340,896	5,340,896
Other	<u>780,280</u>	<u>106,548</u>	<u>106,548</u>
	<u>\$ 29,271,477</u>	<u>\$ 33,352,105</u>	<u>\$ 33,352,105</u>
	<u>2004</u>		
	<u>Cost</u>	<u>Market Value</u>	<u>Carrying Value</u>
Short-term investment funds	\$ 883,267	\$ 883,267	\$ 883,267
Government obligations	1,888,260	1,916,763	1,916,763
Corporate bonds	3,212,666	3,402,907	3,402,907
Equity securities	12,668,424	15,049,520	15,049,520
Mutual funds	2,614,810	2,965,543	2,965,543
Other	<u>810,469</u>	<u>136,737</u>	<u>136,737</u>
	<u>\$ 29,773,994</u>	<u>\$ 33,248,179</u>	<u>\$ 33,248,179</u>

Investments in mineral interests are recorded at estimated market values, based on projected future cash flows. Investments in land and buildings are recorded at cost.

Investment income is reported net of investment fees, which are not material to the overall financial statements.

Net investment gains are summarized as follows:

	<u>2005</u>	<u>2004</u>
Net realized gains	\$ 24,766	\$ 816,238
Net unrealized gains	<u>674,170</u>	<u>1,575,191</u>
Total gains	<u>\$ 698,936</u>	<u>\$ 2,391,429</u>

Investment income is presented net of expenses of approximately \$36,000 and \$31,000 for the years ended June 30, 2005 and 2004, respectively.

**CATHOLIC FOUNDATION OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

NOTE 4. ANNUITY OBLIGATIONS

Annuity obligations represent the actuarially determined liability resulting from the receipt of various annuity gifts by the Foundation.

The present value of the liability resulting from the receipt of an annuity gift is recorded at the date of the gift. The payments to the annuitant are determined based on valuation tables published by the "Committee on Gift Annuities", a nationally recognized organization. Since the Foundation is underwriting the annuities, it is liable for full funding of each annuitant's benefits. This liability is remeasured annually and any adjustment necessary is recognized in the Statement of Activities.

The activity in the annuity obligations account for the year ended June 30:

	<u>2005</u>	<u>2004</u>
Balance at beginning of year	\$ 438,660	\$ 435,848
Liability recorded for additional gifts	-	28,513
Payments to annuitants, net of investment expense	(24,522)	(25,701)
Balance at end of year	<u>\$ 414,138</u>	<u>\$ 438,660</u>

NOTE 5. FUNDS HELD FOR OTHERS

Funds held for others primarily relates to amounts that the Foundation is managing for the School's Trust, the Cemeteries Trust and various parishes and affiliated entities of the Diocese. These amounts are recorded at their determinable fair value as of June 30, 2005 and 2004 and are also included as a component of investments or pledges receivable in the accompanying financial statements. The composition of funds held for others at June 30:

	<u>2005</u>	<u>2004</u>
The School's Trust	\$ 7,685,753	\$ 7,608,820
The Cemeteries Trust	962,373	968,220
Parishes and Schools of the Diocese	2,264,540	2,185,373
Other	<u>924,119</u>	<u>2,153,757</u>
	<u>\$ 11,836,785</u>	<u>\$12,916,170</u>

**CATHOLIC FOUNDATION OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

NOTE 6. CLASSIFICATION OF NET ASSETS

The accompanying financial statements include net assets that are temporarily restricted, based on various donor-imposed restrictions. A summary of these restricted net assets as of June 30:

	<u>2005</u>	<u>2004</u>
Catholic Partnership Campaign	\$ 1,825,085	\$ 2,290,966
Seminarian support	1,358,646	1,448,222
School's Trust	605,369	571,756
Quasi - endowment	702,971	720,675
Health care	<u>15,471,552</u>	<u>15,032,125</u>
	<u>\$ 19,963,623</u>	<u>\$ 20,063,744</u>

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

NOTE 7. RELATED PARTY

The Foundation is affiliated with the Central Office, as both are governed by the Diocese of Fort Worth. The Central Office provides certain administrative services to the Foundation. A total of \$57,634 and \$57,261 is due to the Central Office as of June 30, 2005 and 2004, respectively primarily for advances made by the Central Office to be paid out of the pooled investments for seminarian support.

NOTE 8. RESTATEMENT

During the year ended June 30, 2005, management of the Foundation determined that certain amounts that were recorded as funds held for others were actually amounts that belonged to the Foundation. Accordingly, unrestricted net assets of the Foundation as of June 30, 2003 have been restated to reflect the correction of the error, resulting in an increase unrestricted net assets as of June 30, 2003 of \$246,338 from the balance of \$21,146,178 previously reported.