

CATHOLIC FOUNDATION OF NORTH TEXAS

FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

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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, 2006 and 2005, 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, 2006 and 2005, 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
September 26, 2006

CATHOLIC FOUNDATION OF NORTH TEXAS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2006 AND 2005

	2006	2005
ASSETS		
Cash and cash equivalents	\$ 1,546,254	\$ 1,240,974
Accounts receivable	1,685	1,232
Pledges receivable	-	1,310
Investments:		
Marketable securities	33,710,489	33,352,105
Mineral interests	1,947,000	1,171,000
Land and buildings	107,887	109,335
Other assets	135,378	118,169
TOTAL ASSETS	\$ 37,448,693	\$ 35,994,125
 LIABILITIES		
Accounts payable	\$ 835	\$ 11,805
Due to Central Office	61,516	57,634
Annuity obligations	368,712	414,138
Funds held for others	12,379,060	11,836,785
Total liabilities	12,810,123	12,320,362
 NET ASSETS		
Unrestricted	995,079	1,117,025
Temporarily restricted	20,897,003	19,963,623
Permanently restricted	2,746,488	2,593,115
Total net assets	24,638,570	23,673,763
TOTAL LIABILITIES AND NET ASSETS	\$ 37,448,693	\$ 35,994,125

**CATHOLIC FOUNDATION OF NORTH TEXAS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	2006			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE AND SUPPORT				
Contributions	\$ 55,009	\$ 66,123	\$ 153,373	\$ 274,505
Net investment income	26,548	498,376	-	524,924
Net investment gains (losses)	(64,351)	1,676,327	-	1,611,976
Fees and related charges	75,995	-	-	75,995
Lease and rental income	9,994	-	-	9,994
Net assets released from restrictions	1,307,446	(1,307,446)	-	-
 Total revenue and support	 1,410,641	 933,380	 153,373	 2,497,394
EXPENSES				
Program services:				
Administrative	170,365	-	-	170,365
Catholic Partnership Campaign	9,405	-	-	9,405
Grants	1,223,480	-	-	1,223,480
Financial services	129,337	-	-	129,337
 Total expenses	 1,532,587	 -	 -	 1,532,587
 CHANGES IN NET ASSETS	 (121,946)	 933,380	 153,373	 964,807
 NET ASSETS, BEGINNING OF YEAR	 1,117,025	 19,963,623	 2,593,115	 23,673,763
 NET ASSETS, END OF YEAR	 \$ 995,079	 \$ 20,897,003	 \$ 2,746,488	 \$ 24,638,570

2005

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 150,161	\$ 54,627	\$ 242,049	\$ 446,837
45,055	437,278	-	482,333
(2,425)	701,361	-	698,936
92,313	-	-	92,313
-	-	-	-
<u>1,293,387</u>	<u>(1,293,387)</u>	<u>-</u>	<u>-</u>
1,578,491	(100,121)	242,049	1,720,419
214,844	-	-	214,844
510,792	-	-	510,792
758,474	-	-	758,474
<u>123,544</u>	<u>-</u>	<u>-</u>	<u>123,544</u>
<u>1,607,654</u>	<u>-</u>	<u>-</u>	<u>1,607,654</u>
(29,163)	(100,121)	242,049	112,765
<u>1,146,188</u>	<u>20,063,744</u>	<u>2,351,066</u>	<u>23,560,998</u>
<u>\$ 1,117,025</u>	<u>\$ 19,963,623</u>	<u>\$ 2,593,115</u>	<u>\$ 23,673,763</u>

**CATHOLIC FOUNDATION OF NORTH TEXAS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 964,807	\$ 112,765
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Realized and unrealized gains in market value of investments	(1,611,976)	(698,936)
Increase in accounts receivable	(453)	(69)
Decrease in pledges receivable	1,310	1,323,481
Increase in other assets	(17,209)	(107,940)
Increase (decrease) in accounts payable	(10,970)	1,946
Increase in due to Central Office	3,882	373
Increase (decrease) in funds held for others	542,275	(1,079,385)
Net cash used in operating activities	(128,334)	(447,765)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments, net	479,040	325,790
Net cash provided by investing activities	479,040	325,790
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of annuity obligations	(52,952)	(24,522)
Amounts received from annuitants	7,526	-
Net cash used in financing activities	(45,426)	(24,522)
Net increase (decrease) in cash and cash equivalents	305,280	(146,497)
CASH AND CASH EQUIVALENTS, beginning of year	1,240,974	1,387,471
CASH AND CASH EQUIVALENTS, end of year	\$ 1,546,254	\$ 1,240,974

**CATHOLIC FOUNDATION OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS**

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. The fundraising portion of the campaign has ended, however, the Foundation has funds collected to be disbursed at June 30, 2006.

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**

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 Flows, 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**

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 years ended June 30, 2006 and 2005 and at June 30, 2006 and 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.

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.

At June 30, 2006, all pledges had either been collected or written off as the campaign ended.

Fundraising costs of \$6,166 and \$27,188 were incurred for the years ended June 30, 2006 and 2005, respectively in relation to the Catholic Partnership Campaign and fundraising for the parishes.

**CATHOLIC FOUNDATION OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3. INVESTMENTS

Investments in marketable securities are carried at market value and are comprised of the following at June 30th:

	<u>2006</u>		
	<u>Cost</u>	<u>Market Value</u>	<u>Carrying Value</u>
Short-term investment funds	\$ 2,109,136	\$ 2,109,136	\$ 2,109,136
Government obligations	1,714,557	1,676,661	1,676,661
Corporate bonds	2,670,648	2,650,309	2,650,309
Equity securities	15,009,735	18,696,715	18,696,715
Mutual funds	7,939,961	8,479,043	8,479,043
Other	<u>772,357</u>	<u>98,625</u>	<u>98,625</u>
	<u>\$ 30,216,394</u>	<u>\$ 33,710,489</u>	<u>\$ 33,710,489</u>
	<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>

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.

Net investment gains are summarized as follows:

	<u>2006</u>	<u>2005</u>
Net realized gains	\$ 1,300,666	\$ 24,766
Net unrealized gains	<u>311,310</u>	<u>674,170</u>
Total gains	<u>\$ 1,611,976</u>	<u>\$ 698,936</u>

Investment income is presented net of expenses of approximately \$141,000 and \$137,000 for the years ended June 30, 2006 and 2005, respectively.

**CATHOLIC FOUNDATION OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS**

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>2006</u>	<u>2005</u>
Balance at beginning of year	\$ 414,138	\$ 438,660
Liability recorded for additional gifts	7,526	-
Payments to annuitants, net of investment expense	<u>(52,952)</u>	<u>(24,522)</u>
Balance at end of year	<u>\$ 368,712</u>	<u>\$ 414,138</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, 2006 and 2005 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>2006</u>	<u>2005</u>
The School's Trust	\$ 7,895,544	\$ 7,685,753
The Cemeteries Trust	976,317	962,373
Parishes and Schools of the Diocese	2,706,676	2,264,540
Other	<u>800,523</u>	<u>924,119</u>
	<u>\$ 12,379,060</u>	<u>\$ 11,836,785</u>

**CATHOLIC FOUNDATION OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6. CLASSIFICATION OF NET ASSETS

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

	<u>2006</u>	<u>2005</u>
Catholic Partnership Campaign	\$ 1,902,326	\$ 1,825,085
Seminarian support	1,366,841	1,358,646
School's Trust	635,097	605,369
Quasi - endowment	704,314	702,971
Health care	<u>16,288,425</u>	<u>15,471,552</u>
	<u>\$ 20,897,003</u>	<u>\$ 19,963,623</u>

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

	<u>2006</u>	<u>2005</u>
Catholic Partnership Campaign	\$ 9,405	\$ 510,792
Seminarian support	203,190	193,162
School's Trust	77,154	23,912
Quasi - endowment	35,551	35,671
Health care	<u>982,146</u>	<u>529,850</u>
	<u>\$ 1,307,446</u>	<u>\$ 1,293,387</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 \$61,516 and \$57,634 is due to the Central Office as of June 30, 2006 and 2005, respectively; primarily for advances made by the Central Office to be paid out of the pooled investments for seminarian support.