

**CENTRAL OFFICE OF THE CATHOLIC
DIOCESE OF FORT WORTH**

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2008



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R|C|O RYLANDER, CLAY & OPITZ, LLP
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

Most Reverend Kevin Vann of the
Catholic Diocese of Fort Worth, Texas

We have audited the accompanying statement of financial position of the Central Office of the Catholic Diocese of Fort Worth (the "Central Office") as of June 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Central Office's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Central Office's 2007 financial statements, which were audited by other auditors whose report, dated July 10, 2008, expressed an unqualified opinion on those statements.

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 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 audit provides 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 Central Office of the Catholic Diocese of Fort Worth as of June 30, 2008, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Rylander, Clay & Opitz, LLP

March 19, 2009

CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

STATEMENTS OF FINANCIAL POSITION

June 30, 2008 and 2007

	2008	2007
ASSETS		
Cash and cash equivalents	\$ 32,561,797	\$ 25,306,007
Accounts receivable - parishes and affiliates, net	1,280,148	826,427
Accrued interest receivable	332,931	301,609
Due from affiliates	62,244	67,098
Other assets	270,948	342,054
Loans receivable - affiliates	28,790,459	35,643,705
Investments	9,123,295	10,701,413
Property held for future parish/school use	11,133,522	8,764,824
Property and equipment, net	3,925,911	3,865,144
Total assets	\$ 87,481,255	\$ 85,818,281
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 2,068,586	\$ 2,559,548
Accrued expenses	661,040	635,313
Claims liability	359,061	299,971
Funds held for others	797,120	511,791
Deposits payable - affiliates	55,312,802	50,864,368
Interest rate swap	190,764	6,244
Notes payable	6,656,463	8,658,257
Total liabilities	66,045,836	63,535,492
Commitments and Contingencies (Note 12)		
Net Assets		
Unrestricted		
Undesignated	3,121,990	2,811,772
Designated for insurance reserve	2,125,626	2,500,191
Designated for quasi - endowment	6,395,934	7,935,042
Designated for loans to related entities	6,825,211	6,825,211
Total unrestricted	18,468,761	20,072,216
Temporarily restricted		
Capital grants	-	405,960
Sharing-In-Ministry annual case	1,837,339	878,533
Other	1,129,319	926,080
Total temporarily restricted	2,966,658	2,210,573
Total net assets	21,435,419	22,282,789
Total liabilities and net assets	\$ 87,481,255	\$ 85,818,281

See notes to financial statements.



CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2008, with comparative total for 2007

	Unrestricted	Temporarily Restricted	Total	
			2008	2007
Revenue and other support				
Contributions	\$ 49,812	\$ 5,329,339	\$ 5,379,151	\$ 5,445,070
Diocesan assessments	4,204,472	-	4,204,472	3,804,352
Program and service fees	4,608,508	-	4,608,508	4,198,822
Investment income	1,185,599	-	1,185,599	1,294,733
Net realized and unrealized gain (loss)	(1,013,133)	-	(1,013,133)	1,356,949
Interest on loans receivable- affiliates	2,160,941	-	2,160,941	2,655,334
Unrealized loss on interest rate swap	(184,520)	-	(184,520)	(32,653)
Other	541,530	-	541,530	89,565
Net assets released from restrictions	4,573,254	(4,573,254)	-	-
Total revenue and other support	16,126,463	756,085	16,882,548	18,812,172
Expenses				
Program services				
Education and formation	3,436,143	-	3,436,143	3,497,226
Grants	3,412,204	-	3,412,204	2,599,874
Pastoral services	1,156,419	-	1,156,419	969,005
Communication	480,481	-	480,481	519,988
Administrative and support services				
Benefit programs for parish, school and				
Diocesan employees	604,971	-	604,971	635,477
Diocesan administration	4,217,515	-	4,217,515	5,561,834
Insurance for all property in the Diocese	1,512,191	-	1,512,191	1,644,281
Deposit and Loan and other funds	2,909,994	-	2,909,994	2,585,069
Total expenses	17,729,918	-	17,729,918	18,012,754
Change in net assets	(1,603,455)	756,085	(847,370)	799,418
Net assets at beginning of year	20,072,216	2,210,573	22,282,789	21,483,371
Net assets at end of year	\$ 18,468,761	\$ 2,966,658	\$ 21,435,419	\$ 22,282,789

See notes to financial statements.



CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2008 and 2007

	2008	2007
Cash Flows from Operating Activities		
Change in net assets	\$ (847,370)	\$ 799,418
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss	1,013,133	(1,356,949)
Depreciation	271,716	264,966
Unrealized loss on interest rate swap	184,520	32,653
Grants for property held for future parish/school use	2,564,346	251,211
Change in operating assets and liabilities:		
Increase in accounts receivable - parishes and affiliates	(453,721)	(101,023)
(Increase) decrease in accrued interest receivable	(31,322)	26,768
(Increase) decrease in due from affiliates	4,854	(5,582)
(Increase) decrease in other assets	71,106	(16,075)
Increase (decrease) in accounts payable	(490,962)	570,908
Increase (decrease) in accrued expenses	25,727	(204,740)
Increase in claims liability	59,090	140,858
Increase in funds held for others	285,329	366,149
Net cash provided by operating activities	2,656,446	768,562
Cash Flows from Investing Activities		
Purchase of property and equipment	(332,483)	(210,999)
Proceeds on sale of property held for future parish/school use	342,496	418,614
Purchase of property held for future parish/school use	(6,907,382)	(1,192,972)
Receipts on loans receivable - affiliates	10,468,987	7,059,232
Advances on loans receivable - affiliates	(1,983,899)	(2,208,585)
Proceeds from sale of investments	4,514,466	-
Purchase of investments	(3,949,481)	45,181
Net cash used by investing activities	2,152,704	3,910,471
Cash Flows from Financing Activities		
Cash paid on deposits payable - affiliates	(28,340,272)	(25,713,856)
Cash received for deposits payable - affiliates	32,788,706	34,832,203
Borrowings on notes payable	-	73,507
Repayment of notes payable	(2,001,794)	(2,193,829)
Net cash provided by financing activities	2,446,640	6,998,025
Net increase in cash and cash equivalents	7,255,790	11,677,058
Cash and cash equivalents at beginning of year	25,306,007	13,628,949
Cash and cash equivalents at end of year	\$ 32,561,797	\$ 25,306,007

See notes to financial statements.



CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

NOTES TO FINANCIAL STATEMENTS

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

The Central Office of the Catholic Diocese of Fort Worth (the "Central Office") provides certain administrative functions for the Catholic Diocese of Fort Worth (the "Diocese"). Included in these financial statements are the assets, liabilities, net assets and financial activities of certain program offices and departments of the Diocese that are fiscally responsible to the Bishop. The accompanying financial statements exclude the assets, liabilities, net assets and financial activities of the individual parishes, schools, Catholic Foundation of North Texas (the "Foundation"), and various Diocesan employee benefit plans that operate within the Diocese. Each of these affiliated entities, although ultimately responsible to the Bishop, is an operating entity distinct from the Central Office, maintains separate financial records, and carries on its own services and programs. In addition, various religious orders, lay societies, and religious organizations that operate within the Diocese, which are not fiscally responsible to the Bishop, have been excluded from the accompanying financial statements.

Description of Programs

The programs and administrative and support services of the Central Office consist of:

Education and Formation – Education continues to flourish in the parishes, schools and education centers in all corners of the Diocese. Supporting these programs are the various education and formation departments of the Central Office. They include: Adult Formation; Catholic Schools Office; Children, Youth and Young Adult Ministries; Seminarian Training; Deacon Formation; Vocations; Continuing Education for Clergy; Lay Ministry Training; and many others.

Grants – The Central Office assists parishes, schools and other ministries through capital and operating grants. The recipients are inner city or rural parishes or schools as well as Catholic Charities, school children needing tuition assistance, ministers furthering their education, social outreach programs and many others inside and outside the Diocese.

Pastoral Services – Care of the whole family and each of its members continues to be a focus of the programs of the Central Office. These include: activities pertaining to Family Life; Chaplaincies for the Sick and Imprisoned; Care of Elderly and Infirm Priests; Peace and Justice Outreach; and others.

Communication – The vehicles used to communicate with the people of the Diocese are newspaper and an internet web page. The North Texas Catholic bi-weekly newspaper continues to be the vital link to keep Catholics throughout the Diocese informed.

Administrative Support Services – The effectiveness of the ministries that are supported through the Central Office is dependent on the proper stewardship of the gifts of the thousands of Catholics throughout the Diocese. Administrative support of the Central Office and parishes, schools and agencies is a very important part of the life of the Central Office. The support provided through departments such as Human Resources, Stewardship and Development, Planning, Fiscal Management, and Tribunal, as well as insurance programs, employee benefits, and many others are enabling the ministries and programs that touch and change the lives of Catholics throughout the Diocese.



CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

NOTES TO FINANCIAL STATEMENTS

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

Management Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from these estimates.

Cash and Cash Equivalents

The Central Office considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Supplemental Cash Flow Information

Interest paid on deposits payable- affiliates amounts to \$2,422,422 and \$2,078,210 for the years ended June 30, 2008 and 2007, respectively. The Central Office also paid interest on notes payable of \$28,898 and \$501,318 for the years ended June 30, 2008 and 2007, respectively.

Non-cash financing and investing activities from 2008 and 2007 include the transfer of approximately \$4,196,000 and \$251,000, respectively, in property held for future use to related parishes and schools in the form of loans and grants.

Accounts and Loans Receivable

Accounts and loans receivable are due almost exclusively from affiliates of the Central Office. The Central Office does not extend credit unless management is reasonably certain the related amount will be repaid. Management periodically evaluates the related receivables and only records a reserve for uncollectability if ultimate collection appears doubtful. Account write-offs are posted against the allowance for doubtful accounts, and an expense is recorded only when the allowance is not sufficient to absorb a related write-off.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income and realized and unrealized gains or losses are 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 Central Office invests in an investment pool that uses the market value unit method of accounting for investment transactions. Under this method, each fund 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 pooled value is used to determine the number of units to be allocated to new funds entering the pool, the allocation of recurring income, gains and losses, or to calculate the equity of funds withdrawn from the pool.



CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

NOTES TO FINANCIAL STATEMENTS

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

Property Held for Future Parish/School Use

Property held for future parish/school use is recorded at cost and consists of property purchased by the Central Office that will be used by parishes and schools within the Diocese in the future. This property is typically purchased at cost from the Central Office by the parish or school. During 2008 and 2007, property with a cost of approximately \$4,538,000 and \$251,000, respectively, was sold to related parishes and schools.

Property and Equipment

Property and equipment that are purchased are recorded at cost and depreciated over the estimated useful lives of the related assets using the straight-line method. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Central Office reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The School then releases temporarily restricted net assets to unrestricted net assets as reflected in the statement of activities.

The estimated lives by asset class follow:

Buildings	3 - 40 years
Equipment, furnishings and vehicles	3 - 5 years

Impairment of Long-Lived Assets

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

Deposits Payable - Affiliates

Deposits payable represent amounts held as savings accounts for affiliates.

Recognition of Donor Restrictions

Contributions are recognized when unconditional commitments are received and recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.



CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

NOTES TO FINANCIAL STATEMENTS

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

Donated Materials and Services

Donated materials are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. No significant amounts have been reflected in the statements for donated services as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the Central Office.

Income Taxes

The Central Office is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation.

Functional Allocation of Expenses

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

Concentration of Credit and Market Risk

At June 30, 2008, the Central Office has deposits of approximately \$33,440,000 in excess of federally insured limits. This amount is not reduced by items recorded in the accounts not yet clearing the bank. Management does not believe that it is subject to any significant credit risk on cash.

Reclassifications

Certain items in 2007 have been reclassified for comparative purposes with 2008 presentation.

NOTE 2. ACCOUNTS RECEIVABLE - PARISHES AND AFFILIATES

Accounts receivable for parishes and affiliates relates to amounts that the Central Office has paid on behalf of the related entities, or has billed them for various services provided on their behalf. The amounts are due primarily from parishes and schools within the Diocese. An allowance for doubtful accounts of \$11,794 is recorded at June 30, 2008 and 2007. The allowance is established based on past experience and an analysis of the collectability of current receivables.

NOTE 3. LOANS RECEIVABLE - AFFILIATES

The Central Office provides loans to parishes, schools and other entities within the Diocese for capital projects and various operating purposes. These loans generally have an interest rate of 7% at June 30, 2008 and 2007, and are due primarily in monthly installments. Interest income is recognized monthly based on the outstanding loan balance. Certain loans relating to real estate acquisitions by new parishes are allowed a five-year exemption from interest and principal after dedication of the first building on the property.



CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LOANS RECEIVABLE - AFFILIATES (Continued)

The composition of loans receivable at June 30, 2008 and 2007 follows:

	<u>2008</u>	<u>2007</u>
Loans to parishes	\$ 13,724,070	\$ 15,931,904
Loans to schools	14,801,052	19,460,298
Loans to other Diocesan entities	<u>265,337</u>	<u>251,503</u>
	<u>\$ 28,790,459</u>	<u>\$ 35,643,705</u>

At June 30, 2008 and 2007, management of the Central Office believes all loans are fully collectible based on past experience and review of individual accounts. Accordingly, there is no allowance for potential losses recorded in the accompanying financial statements.

NOTE 4. INVESTMENTS

Investments in marketable securities are carried at market value and consist of the following at June 30, 2008 and 2007:

	<u>2008</u>		<u>2007</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Pooled Investments:				
Short-term funds	\$ 1,222,420	\$ 1,222,420	\$ 708,546	\$ 708,546
Corporate bonds	201,596	199,846	200,292	199,846
Mutual funds	2,214,672	2,219,706	1,960,463	1,809,914
Equity securities	5,143,119	4,241,680	7,378,968	5,023,840
Insurance Reserve	<u>341,488</u>	<u>314,395</u>	<u>453,144</u>	<u>453,144</u>
	<u>\$ 9,123,295</u>	<u>\$ 8,198,047</u>	<u>\$ 10,701,413</u>	<u>\$ 8,195,290</u>

Net realized and unrealized gain (loss) is summarized as follows:

	<u>2008</u>	<u>2007</u>
Net realized gain	\$ 664,186	\$ 217,836
Net unrealized gain (loss)	<u>(1,677,319)</u>	<u>1,139,113</u>
Total net realized and unrealized gain (loss)	<u>\$ (1,013,133)</u>	<u>\$ 1,356,949</u>



CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

NOTES TO FINANCIAL STATEMENTS

NOTE 4. INVESTMENTS (Continued)

Investment income is summarized as follows:

	<u>2008</u>	<u>2007</u>
Pooled investment income	\$ 519,319	\$ 562,026
Interest on deposits	625,340	603,605
Other interest and dividend income	40,940	129,102
Total	<u>\$ 1,185,599</u>	<u>\$ 1,294,733</u>

NOTE 5. PROPERTY AND EQUIPMENT

The composition of property and equipment at June 30, 2008 and 2007 follows:

	<u>2008</u>	<u>2007</u>
Land	\$ 1,299,826	\$ 1,299,826
Buildings	4,415,735	4,169,416
Equipment, furnishings and vehicles	1,456,069	1,369,904
	7,171,630	6,839,146
Less: accumulated depreciation	<u>3,245,719</u>	<u>2,974,002</u>
	<u>\$ 3,925,911</u>	<u>\$ 3,865,144</u>

NOTE 6. DEPOSITS PAYABLE - AFFILIATES

The Central Office receives deposits from parishes, schools, and other entities within the Diocese. The amounts on deposit accrue interest at a rate of 5.0% at June 30, 2008 and 2007, and are due on demand. The composition of deposits payable at June 30, 2008 and 2007 follows:

	<u>2008</u>	<u>2007</u>
Deposits payable to parishes	\$ 32,304,814	\$ 27,196,717
Deposits payable to schools	22,392,773	23,025,155
Deposits payable to other entities	615,215	642,496
	<u>\$ 55,312,802</u>	<u>\$ 50,864,368</u>

Interest expense relating to deposits payable is \$2,422,422 and \$2,078,210 for the years ended June 30, 2008 and 2007, respectively, and is included as a component of deposit and loan and other funds expense in the accompanying statements of activities.



CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

NOTES TO FINANCIAL STATEMENTS

NOTE 7. NOTES PAYABLE

The Central Office has a loan agreement with the City of Tatum, Texas Higher Education Facilities Corporation in the original principal amount of \$7,500,000 that was used to acquire land and construct buildings, facilities and improvements within the Diocese for educational purposes. The loan originated on January 1, 1998, and was repaid during the year ended June 30, 2008.

The Central Office also has a loan agreement with the City of Roman Forest in the original amount of \$9,500,000 that originated in 2002. The proceeds were used for construction of education facilities. Terms of the loan require quarterly payments in the amount of \$253,450, equal to one-fourth (1/4) of the amount of principal that would be due during the applicable year based on a ten-year amortization at an interest rate equal to 5.265%. The stated rate on the note agreement, which fluctuates with the LIBOR rate, is 3.41% at June 30, 2008 and 5.12% at June 30, 2007. The loan is unsecured and matures in December 2011. The balance is \$4,005,582 at June 30, 2008 and \$5,019,385 at June 30, 2007.

In 2005, the Central Office entered into an additional loan agreement with the City of Roman Forest in the original amount of \$3,500,000. The proceeds were also used for construction of education facilities. Terms of the loan require quarterly payments in the amount of \$77,060, equal to one-fourth (1/4) of the amount of principal that would be due during the applicable year based on a ten-year amortization at an interest rate equal to 4.60%. The stated rate on the note agreement, which fluctuates with the LIBOR rate, is 3.41% at June 30, 2008 and 4.71% at June 30, 2007. The loan is unsecured and matures on June 1, 2015. The balance is \$2,615,048 at June 30, 2008 and \$2,923,289 at June 30, 2007.

The loan agreements with the City of Roman Forest include interest swap provisions that effectively fix the variable rate agreement. The swap was instituted to effectively fix the interest rate on the debt in order to provide known cash requirement not available with the floating rate.

The swap agreements are accounted for under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. SFAS No. 133 requires that every derivative instrument be recorded on the statement of financial position as either an asset or liability stated at fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized in the statement of activities. Included in the statement of activities for the years ended June 30, 2008 and 2007 is a net loss of \$184,520 and \$32,653, respectively, relating to the change in derivative value during each year. At June 30, 2008 and 2007, a liability for derivative instruments of \$190,764 and \$6,244, respectively, is recorded in the statement of financial position. The fair value of the interest rate swap has been estimated based upon available information and may change materially in the near-term based on changes in interest rates and other factors.

Interest and amortization expense of \$383,274 and \$506,571 is included in deposit and loan and other funds expense in the accompanying statement of activities for the years ended June 30, 2008 and 2007, respectively.



CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

NOTES TO FINANCIAL STATEMENTS

NOTE 7. NOTES PAYABLE (Continued)

Maturities of the notes payable at June 30, 2008 follow:

2009	\$ 1,157,979
2010	1,134,871
2011	1,193,478
2012	1,255,123
2013	1,083,562
Thereafter	831,450
	<u>\$ 6,656,463</u>

NOTE 8. PENSION PLANS

Pension plans maintained by the Diocese cover eligible employees of the Central Office as well as those of parishes, schools and other affiliated entities. Assets of the plans are held in trust funds managed by independent third parties.

The defined benefit plans of the diocese cover eligible employees as follows:

A noncontributory retirement plan that provides retirement benefits to eligible priests (the "Priests' Plan"). A priest becomes eligible to participate in the Priests' Plan in the months following his incardination. If a priest has served a minimum of seven years with the Diocese, he will be vested for retirement benefits. A priest's service is measured by his aggregate periods of service prior to his retirement date or earlier termination from the Priests' Plan.

A noncontributory retirement plan that provides retirement benefits for eligible employees (the "Employee Plan"). The Employee Plan covers all employees scheduled to work at least 1,000 hours in a calendar year and have five years of credited service for vesting status. Benefit payments are based upon a defined benefit formula determined by plan document provisions.

The Diocese charges the Central Office and other participating entities for pension costs based on a percentage of the each entities' payroll. This rate is determined periodically by the Diocese based upon plan assets, liabilities, and other factors considered relevant by the Diocese. The ultimate obligation to fund these plans is the responsibility of the Diocese. The Central Office is responsible only to the extent of the assessment charged to it unless determined otherwise by the Diocesan Finance Council and the Bishop in the future.

Annual Pension Cost

For the years ended June 30, 2008 and 2007, the annual pension cost and actual contributions for the Central Office are \$274,008 and \$275,668, respectively.



CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (Continued)

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees. The Central Office is not responsible for the unfunded liability unless determined otherwise by the Diocesan Finance Council and the Bishop in the future.

Employee Plan

The actuarial valuation information for the Employee Plan follows:

Actuarial valuation date	June 30, 2008	June 30, 2007
Actuarial cost method	projected unit credit	projected unit credit
Asset valuation method	market value	market value
Assumptions:		
Investment return	8.00%	8.00%
Projected salary increases	5.50%	5.50%
Inflation	3.00%	3.00%

The annual pension cost trend information for the Employee Plan follows:

	June 30, 2008	June 30, 2007
Annual Pension Cost (APC)	\$ 2,376,104	\$ 2,001,064
Percentage of APC Contributed	100%	100%
Net Pension Obligation	\$ -	\$ -

The funding information for the Employee Plan follows:

Actuarial valuation date	June 30, 2008	June 30, 2007
Actuarial value of assets	\$ 20,948,233	\$ 21,542,574
Actuarial accrued liability (AAL)	\$ 25,208,813	\$ 23,380,911
Unfunded actuarial accrued liability (UAAL)	\$ 4,260,580	\$ 1,838,337
Funded ratio	83.10%	92.10%
Annual covered payroll	\$ 22,124,943	\$ 21,594,259
UAAL as percentage of covered payroll	19.30%	8.50%



CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (Continued)

Priests' Plan

The actuarial valuation information for the Priests' Plan follows:

	June 30, 2008	June 30, 2007
Actuarial valuation date	projected unit credit	projected unit credit
Actuarial cost method	market value	market value
Asset valuation method		
Assumptions:		
Investment return	8.00%	8.00%
Projected salary increases	not applicable	not applicable
Inflation	3.00%	3.00%

The annual pension cost trend information for the Priests' Plan follows:

	June 30, 2008	June 30, 2007
Annual Pension Cost (APC)	\$ 226,230	\$ 226,263
Percentage of APC Contributed	100%	100%
Net Pension Obligation	\$ -	\$ -

The funding information for the Priests' Plan follows:

	June 30, 2008	June 30, 2007
Actuarial valuation date		
Actuarial value of assets	\$ 3,255,544	\$ 3,580,640
Actuarial accrued liability (AAL)	\$ 4,081,278	\$ 3,906,628
Unfunded actuarial accrued liability (UAAL)	\$ 825,734	\$ 325,988
Funded ratio	79.77%	91.70%

NOTE 9. INSURANCE PLANS

The Central Office maintains a workers' compensation plan for the employees of Diocesan parishes, schools, and other affiliated entities (the "participants") and a multi-peril insurance plan. Both plans are partially self-insured through a high deductible. The Central Office has a fully-insured plan for the health insurance needs of the participants. The Central Office acts as billing agent for the multi-peril insurance plan. The parishes and schools calculate the monthly premium for the workers compensation plan and remit the premiums to the Central Office. These calculations are made under parameters set by the Central Office and are reviewed periodically by the Central Office. The health insurance plan is administered by a third party, and the Central Office does not participate in billing the premiums to the parishes and schools. Included in expenses are actual costs and claims paid plus management's estimates of any additional ultimate loss which may change materially in the near term.



CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DIOCESAN ASSESSMENTS

The Central Office charges parishes of the Diocese an assessment on weekly offertory collections as a means to provide funds for the recurring operations of the Central Office. This assessment is calculated on a sliding scale ranging from 1% to 9.5% of the gross offertory collections, based on the circumstances at each parish.

In addition, the Central Office assessed approximately \$164,000 and \$159,000 in 2008 and 2007, respectively, to parishes that have students enrolled at Nolan High School.

NOTE 11. DESIGNATED NET ASSETS

The accompanying financial statements include unrestricted net assets that have been designated for various purposes. A description of these designations follows:

Net assets designated for insurance reserves are funds that have been collected by the Central Office that are to be used to provide amounts necessary for unexpected claims in the future, or to reduce future premiums of Diocesan entities for various insurance coverages.

Net assets designated for quasi-endowment represent funds that have been identified by the Bishop to be invested by the Central Office.

Net assets designated for loans to related entities represent funds that are available to be loaned, or have been loaned, to various Diocesan entities.

NOTE 12. COMMITMENTS AND CONTINGENCIES

The Central Office processes the claims against the Diocese. At June 30, 2008, the Central Office is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its activities. The outstanding claims and litigation is covered by commercial insurance. The deductible on insurance claims is \$100,000 per occurrence. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Central Office.

NOTE 13. RELATED PARTY

The Central Office is affiliated with the Foundation, as both are governed by the Diocese. A total of \$62,244 and \$67,098 is due from the Foundation at June 30, 2008 and 2007, respectively, and is reflected as an asset in the accompanying financial statements. These amounts are primarily for withdrawals from the Catholic Schools Trust advanced by the Central Office.



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NOTES TO FINANCIAL STATEMENTS

NOTE 14. SUBSEQUENT EVENT

Subsequent to June 30, 2008, financial markets in the United States of America and foreign countries incurred substantial losses. At June 30, 2008, the Central Office owns investments with an estimated fair value of \$9,123,295, including domestic securities. Because of inherent uncertainties in estimating the fair value of financial instruments, it is at least reasonably possible that the estimates used will change within the near term.

