

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

**AUDITED FINANCIAL STATEMENTS**

**Year Ended June 30, 2015 and 2014**



# CONTENTS

	Page
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<hr/>	
<b>AUDITED FINANCIAL STATEMENTS</b>	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5





## INDEPENDENT AUDITOR'S REPORT

Most Reverend Michael F. Olson  
Central Office of the Catholic Diocese of Fort Worth

### Report on the Financial Statements

We have audited the accompanying financial statements of the Central Office of the Catholic Diocese of Fort Worth (the "Central Office") which comprise the statement of financial position as of June 30, 2015, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Office as of June 30, 2015, 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.

### Report on Summarized Comparative Information

We have previously audited the Central Office's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 23, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Rylander, Clay & Opitz, LLP*

November 12, 2015

# CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

## STATEMENTS OF FINANCIAL POSITION

**June 30, 2015 and 2014**

	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 14,282,506	\$ 17,191,821
Accounts receivable - parishes and affiliates, net	2,115,053	2,078,351
Accrued interest receivable	765,447	434,414
Due from affiliates	448,068	723,751
Other assets	387,400	416,663
Loans receivable - affiliates	27,518,311	26,047,513
Investments	3,350,129	3,584,580
Property held for future parish/school use	28,338,425	13,756,971
Property and equipment, net	4,017,649	4,610,989
<b>Total assets</b>	<b>\$ 81,222,988</b>	<b>\$ 68,845,053</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 1,063,066	\$ 792,409
Due to affiliates	900,039	147,424
Accrued expenses	983,245	834,104
Claims liability	708,201	284,655
Funds held for others	931,181	599,745
Deposits payable - affiliates	50,342,165	50,094,302
Interest rate swap	-	8,803
Notes payable	9,529,283	427,522
<b>Total liabilities</b>	64,457,180	53,188,964
Commitments and Contingencies (Note 12)		
Net Assets		
Unrestricted		
Undesignated	8,600,857	8,041,287
Designated for insurance reserve	4,879,709	4,295,199
Designated for loans to related entities	1,587,833	1,630,967
<b>Total unrestricted</b>	15,068,399	13,967,453
Temporarily restricted		
Sharing-In-Ministry annual case	78,103	250,000
Other programs	1,619,306	1,438,636
<b>Total temporarily restricted</b>	1,697,409	1,688,636
<b>Total net assets</b>	16,765,808	15,656,089
<b>Total liabilities and net assets</b>	<b>\$ 81,222,988</b>	<b>\$ 68,845,053</b>

See notes to financial statements.



# CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

## STATEMENTS OF ACTIVITIES

Year Ended June 30, 2015 with Comparative Total for 2014

	Unrestricted	Temporarily Restricted	Total	
			2015	2014
Revenue and other support				
Contributions	\$ 67,110	\$ 3,778,047	\$ 3,845,157	\$ 6,373,709
Diocesan assessments	8,117,968	-	8,117,968	7,850,113
Program and service fees	5,707,211	-	5,707,211	4,472,191
Investment income	216,979	-	216,979	195,183
Net realized and unrealized gain	(218,403)	44,924	(173,479)	448,578
Interest on loans receivable - affiliates	726,542	-	726,542	692,292
Unrealized gain on interest rate swap	-	-	-	21,497
Gain on disposal of asset	323,819	-	323,819	14,919
Other	160,213	-	160,213	172,354
Net assets released from restrictions	3,814,198	(3,814,198)	-	-
<b>Total revenue and other support</b>	18,915,637	8,773	18,924,410	20,240,836
Expenses				
Program services				
Education and formation	2,059,089	-	2,059,089	2,409,528
Grants	1,726,899	-	1,726,899	4,022,208
Pastoral services	2,614,666	-	2,614,666	2,716,714
Communication	788,218	-	788,218	727,772
Administrative and support services				
Benefit programs for parish, school, and Diocesan employees	545,933	-	545,933	515,030
Diocesan administration	6,848,264	-	6,848,264	7,953,525
Insurance for all property in the Diocese	2,481,409	-	2,481,409	1,703,926
Deposit and loan and other funds	750,213	-	750,213	738,488
<b>Total expenses</b>	17,814,691	-	17,814,691	20,787,191
<b>Change in net assets</b>	1,100,946	8,773	1,109,719	(546,355)
Net assets at beginning of year	13,967,453	1,688,636	15,656,089	16,202,444
<b>Net assets at end of year</b>	<u>\$ 15,068,399</u>	<u>\$ 1,697,409</u>	<u>\$ 16,765,808</u>	<u>\$ 15,656,089</u>

See notes to financial statements.



## CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

### STATEMENTS OF CASH FLOWS Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	\$ 1,109,719	\$ (546,355)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net realized and unrealized (gain) loss	173,479	(448,578)
Depreciation	384,168	389,827
Contribution of property and equipment	-	(285,000)
Gain on sale of assets	(323,819)	(14,919)
Unrealized gain on interest rate swap	(8,803)	(21,497)
Grants of property held for future parish/school use	138,989	1,233,357
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable - parishes and affiliates	(36,702)	1,023
Increase in accrued interest receivable	(331,033)	(122,286)
(Increase) decrease in due to/from affiliates	1,028,298	(1,444,724)
Decrease in other assets	38,328	791,003
Increase (decrease) in accounts payable	270,657	(82,250)
Increase (decrease) in accrued expenses	149,141	(219,203)
Increase (decrease) in claims liability	423,546	(679,264)
Increase (decrease) in funds held for others	331,436	(45,573)
<b>Net cash provided (used) by operating activities</b>	<b>3,347,404</b>	<b>(1,494,439)</b>
Cash Flows from Investing Activities		
Payment to related party for life insurance policies	-	(284,217)
Receipts on loans receivable - affiliates	17,513,329	18,107,014
Advances on loans receivable - affiliates	(17,273,512)	(13,854,086)
Increase in cash surrender value of life insurance	(9,065)	(19,672)
Proceeds from sale of investments	4,200,554	940,502
Purchase of investments	(4,139,582)	(1,122,103)
Proceeds on sale of property held for future parish/school use	1,099,092	1,954,749
Purchase of property held for future parish/school use	(17,530,150)	(3,227,666)
Proceeds on sale of property and equipment	1,105,569	172,367
Purchase of property and equipment	(572,578)	(274,039)
<b>Net cash provided (used) by investing activities</b>	<b>(15,606,343)</b>	<b>2,392,849</b>
Cash Flows from Financing Activities		
Cash paid on deposits payable - affiliates	(24,068,241)	(26,935,585)
Cash received for deposits payable - affiliates	24,316,104	27,335,246
Proceeds from note payable	10,000,000	-
Repayment of notes payable	(898,239)	(408,202)
<b>Net cash provided (used) by financing activities</b>	<b>9,349,624</b>	<b>(8,541)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,909,315)</b>	<b>889,869</b>
Cash and cash equivalents at beginning of year	17,191,821	16,301,952
<b>Cash and cash equivalents at end of year</b>	<b>\$ 14,282,506</b>	<b>\$ 17,191,821</b>

See notes to financial statements.



# CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

## NOTES TO FINANCIAL STATEMENTS

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### 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, Advancement 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 bimonthly 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

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### 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 \$699,025 and \$700,973 for the years ended June 30, 2015 and 2014, respectively. The Central Office also paid interest on notes payable of \$51,188 and \$36,939 for the years ended June 30, 2015 and 2014, respectively.

Non-cash financing and investing activities included the transfer of approximately \$1,710,000 and \$592,000 in property held for future use to related parishes and schools in the form of loans for the years ended June 30, 2015, and 2014, respectively.

#### 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 and 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.

#### 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 2015 and 2014, property with a cost of approximately \$1,850,000 and \$1,800,000, respectively, was sold or granted to related parishes and schools.





# CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

## NOTES TO FINANCIAL STATEMENTS

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

#### 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 Central Office 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.

#### Funds Held for Others

Funds held for others represent royalty funds held for affiliates of the Central Office.

#### Deposits Payable - Affiliates

Deposits payable represent amounts held as savings accounts for affiliates.

#### Compensated Absences

The Central Office compensates individuals for accumulated, vested benefit hours including vacation time. It is not practicable for the Central Office to estimate the amount of compensation for future absences; accordingly, no liability for compensated absences is recorded in the accompanying financial statements. The Central Office's policy is to recognize the costs of compensated absences when paid to employees.

#### 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

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### **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 within the meaning of Section 509(a) of the Code. As a not-for-profit organization, the Central Office is not liable for federal income taxes.

#### **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, 2015, the Central Office has deposits of approximately \$14,980,000 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 risk of loss on cash.

#### **Prior-Year Comparative Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Central Office's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

#### **Subsequent Events**

Management evaluated subsequent events through November 12, 2015, which is the date the financial statements were available to be issued.

### **NOTE 2. ACCOUNTS RECEIVABLE - PARISHES AND AFFILIATES**

Accounts receivable from parishes and affiliates relates to amounts that the Central Office 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, 2015 and 2014. The allowance is established based on past experience and an analysis of the collectability of current receivables.



# CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. DUE TO/FROM AFFILIATES

The Central Office is affiliated with the Catholic Diocese of Fort Worth Advancement Foundation (Advancement), as both are governed by the Diocese. The Central Office paid expenses on behalf of Advancement. The amount due from Advancement at June 30, 2015 and 2014 is \$448,068 and \$723,751, respectively. At June 30, 2015 and 2014, a total of \$900,039 and \$147,424, respectively, is due to Advancement and is reflected as a liability in the accompanying financial statements. These amounts are primarily for employee payroll expense reimbursements to Advancement.

### NOTE 4. 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 have an interest rate of 3.5% at June 30, 2015 and 2014, 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. The composition of loans receivable at June 30, 2015 and 2014 follows:

	2015	2014
Loans to parishes	\$ 17,141,879	\$ 16,108,130
Loans to schools	10,376,432	9,939,383
	<u>\$ 27,518,311</u>	<u>\$ 26,047,513</u>

At June 30, 2015 and 2014, 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 5. INVESTMENTS AND FAIR VALUE

The Fair Value Measurements and Disclosures Topic of the Accounting Standards Codification defines fair value as 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. The standards also establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes 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 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 that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.



# CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. INVESTMENTS AND FAIR VALUE (Continued)

#### Other Assets and Liabilities

The recorded value of the loans receivable – affiliates, deposits payable – affiliates, and notes payable approximates their fair value, as interest approximates market rates. The recorded values of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values based on their short-term nature.

#### Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include publicly traded stocks, mutual funds, certificates of deposit, and money market funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

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 measurements fall at June 30, 2015 and 2014.

	2015 Fair Value	2014 Fair Value	Level
Cash held for investment	\$ 580,506	\$ 185,624	1
LKCM fixed income fund	758,700	719,429	1
LKCM small cap equity	40,244	130,561	1
LKCM small mid cap equity	34,859	106,678	1
Equities:			
Technology	90,441	297,319	1
Consumer goods	137,826	231,065	1
Basic materials	362,615	456,047	1
Healthcare	162,996	221,734	1
Services	212,456	213,511	1
Industrial goods	88,008	310,628	1
Utilities	44,746	-	1
Financial	413,637	291,537	1
Other	4,076	4,076	1
Catholic Umbrella Pool II	419,019	416,371	2
Marketable securities	<u>\$ 3,350,129</u>	<u>\$ 3,584,580</u>	
Interest rate swap	<u>\$ -</u>	<u>\$ (8,803)</u>	2

Net realized and unrealized gains are summarized as follows:

	2015	2014
Net realized gain	\$ 721,391	\$ 75,694
Net unrealized gain (loss)	<u>(894,870)</u>	<u>372,884</u>
Net realized and unrealized gain (loss)	<u>\$ (173,479)</u>	<u>\$ 448,578</u>



# CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 5. INVESTMENTS AND FAIR VALUE (Continued)

Investment income is summarized as follows:

	<u>2015</u>	<u>2014</u>
Pooled investment income	\$ 70,628	\$ 57,914
Insurance reserve income	102,229	85,762
Other interest and dividend income	44,122	51,507
Total	<u>\$ 216,979</u>	<u>\$ 195,183</u>

### Catholic Umbrella Pool II

The Central Office invests in the Catholic Umbrella Pool II (CUP II), which is an excess liability pool designed to reduce susceptibility to the volatility of the insurance market. The CUP II has limitations on redemption of the participant's equity account. For a 10 year period, a payment equal to 75% of the annual return of contribution shall be paid. Within 12 months following the expiration of the 10 year period, a payment shall be made equal to the remaining equity account.

### NOTE 6. PROPERTY AND EQUIPMENT

The composition of property and equipment at June 30, 2015 and 2014 follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 1,555,392	\$ 1,372,471
Buildings	5,038,095	5,849,646
Equipment, furnishings, and vehicles	2,236,380	2,103,076
	8,829,867	9,325,193
Less: accumulated depreciation	<u>(4,812,218)</u>	<u>(4,714,204)</u>
	<u>\$ 4,017,649</u>	<u>\$ 4,610,989</u>

### NOTE 7. 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 1.5% at June 30, 2015 and 2014, and are due on demand. The composition of deposits payable at June 30, 2015 and 2014 follows:

	<u>2015</u>	<u>2014</u>
Deposits payable to parishes	\$ 24,855,363	\$ 23,677,367
Deposits payable to schools	24,063,252	25,126,737
Deposits payable to other entities	1,423,550	1,290,198
	<u>\$ 50,342,165</u>	<u>\$ 50,094,302</u>

Interest expense relating to deposits payable is \$699,025 and \$700,973 for the years ended June 30, 2015 and 2014, respectively, and is included as a component of deposit and loan and other funds expense in the accompanying statement of activities.



# CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. DESIGNATED NET ASSETS

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

#### Insurance Reserves

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 coverage.

#### Loans

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 9. NOTES PAYABLE

In 2005, the Central Office entered into a loan agreement with the City of Roman Forest in the original amount of \$3,500,000. The proceeds were 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 loan matured on June 1, 2015.

In March 2015, the Central Office entered into a loan agreement with a financial institution in the original amount of \$10,000,000. The proceeds are to be used for the purchase of real property. Terms of the agreement require interest-only payments until October 2017, which is when the entire principal balance and any unpaid accrued interest shall be due. The stated rate on the agreement is a floating rate equal to the published 1-month London Interbank Offered Rate (LIBOR) plus 120 basis points. The outstanding balance at June 30, 2015 is \$9,529,283.

### NOTE 10. 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.



# CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. PENSION PLANS (Continued)

The Diocese charges the Central Office and other participating entities for pension costs based on a percentage of 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, 2015 and 2014, the annual pension cost and actual contributions for the Central Office are \$327,863 and \$315,507, respectively.

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, 2015	June 30, 2014
Actuarial cost method	projected unit credit	projected unit credit
Asset valuation method	market value	market value
Assumptions:		
Investment return	7.25%	7.25%
Projected salary increases	2.50%	2.50%
Inflation	8.00%	8.00%

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

	June 30, 2015	June 30, 2014
Annual Pension Cost (APC)	\$ 2,600,983	\$ 2,539,862
Percentage of APC Contributed	100%	100%
Net Pension Obligation	\$ -	\$ -

The funding information for the Employee Plan follows:

Actuarial valuation date	June 30, 2015	June 30, 2014
Actuarial value of assets	\$ 39,358,713	\$ 40,562,962
Actuarial accrued liability (AAL)	\$ 41,796,571	\$ 40,756,254
Unfunded actuarial accrued liability (UAAL)	\$ 2,437,858	\$ 193,292
Funded ratio	94.17%	99.53%
Annual covered payroll	\$ 27,112,538	\$ 27,818,441
UAAL as percentage of covered payroll	8.99%	.69%



# CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. PENSION PLANS (Continued)

#### Priests' Plan

The actuarial valuation information for the Priests' Plan follows:

Actuarial valuation date	June 30, 2015	June 30, 2014
Actuarial cost method	projected unit credit	projected unit credit
Asset valuation method	market value	market value
Assumptions:		
Investment return	7.25%	8.00%
Projected salary increases	not applicable	not applicable
Inflation	none assumed	none assumed

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

	June 30, 2015	June 30, 2014
Annual Pension Cost (APC)	\$ 435,489	\$ 548,463
Percentage of APC Contributed	100%	100%
Net Pension Obligation	\$ -	\$ -

The funding information for the Priests' Plan follows:

Actuarial valuation date	June 30, 2015	June 30, 2014
Actuarial value of assets	\$ 6,305,534	\$ 6,279,592
Actuarial accrued liability (AAL)	\$ 6,790,438	\$ 5,849,395
Unfunded actuarial accrued liability (UAAL)	\$ 484,904	\$ (430,197)
Funded ratio	92.86%	107.35%

### NOTE 11. 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 1.27% to 16.00% of the gross collections. There are also tax exemptions and tax reductions based on the circumstances of the specific parish.

In addition, the Central Office assessed approximately \$189,000 and \$187,000 in 2015 and 2014, respectively, to parishes that have students enrolled at Nolan High School.





# CENTRAL OFFICE OF THE CATHOLIC DIOCESE OF FORT WORTH

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 12. COMMITMENTS AND CONTINGENCIES**

The Central Office manages the claims against the Diocese. At June 30, 2015 and 2014, the Diocese is subject to various claims covering a wide range of matters that arise in the ordinary course of its activities. Claims and litigation are 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 claims will not have a material adverse effect on the financial condition or results of operations of the Central Office.

### **NOTE 13. 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.

