

**CATHOLIC DIOCESE OF FORT WORTH –  
ADVANCEMENT CORPORATION**

**AUDITED FINANCIAL STATEMENTS**

**Year Ended June 30, 2010**



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R | C | O RYLANDER, CLAY & OPITZ, LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
*Smart Solutions. Real Results.*

## INDEPENDENT AUDITOR'S REPORT

Most Reverend Bishop Kevin Vann  
Catholic Diocese of Fort Worth - Advancement Corporation

We have audited the accompanying statement of financial position of the Catholic Diocese of Fort Worth - Advancement Corporation (the "Corporation") as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 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 Catholic Diocese of Fort Worth - Advancement Corporation as of June 30, 2010, and the changes in its net assets and its 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 9, 2011

**CATHOLIC DIOCESE OF FORT WORTH -  
ADVANCEMENT CORPORATION**

**STATEMENT OF FINANCIAL POSITION  
June 30, 2010**

**ASSETS**

Cash and cash equivalents	\$ 7,755,641
Accounts receivable - parishes and affiliates	35,600
Contributions receivable, net	<u>27,600,915</u>
<b>Total assets</b>	<b><u><u>\$ 35,392,156</u></u></b>

**LIABILITIES AND NET ASSETS**

Liabilities	
Accounts payable	\$ 5,165,281
Accrued expenses	737,599
Contributions payable - parishes and affiliates	<u>18,406,257</u>
<b>Total liabilities</b>	<b>24,309,137</b>
Net Assets	
Unrestricted	(38,014)
Temporarily restricted	<u>11,121,033</u>
<b>Total net assets</b>	<b><u><u>11,083,019</u></u></b>
<b>Total liabilities and net assets</b>	<b><u><u>\$ 35,392,156</u></u></b>

See notes to financial statements.



**CATHOLIC DIOCESE OF FORT WORTH -  
ADVANCEMENT CORPORATION**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010**

	Unrestricted	Temporarily Restricted	Total
Revenue and other support			
Contributions	\$ 11,000	\$ 20,656,706	\$ 20,667,706
Other	1,461	-	1,461
Net assets released from restrictions	9,535,673	(9,535,673)	-
<b>Total revenue and other support</b>	9,548,134	11,121,033	20,669,167
Expenses			
Program services - grants	7,632,955	-	7,632,955
Administrative and support services	1,953,193	-	1,953,193
<b>Total expenses</b>	9,586,148	-	9,586,148
<b>Change in net assets</b>	(38,014)	11,121,033	11,083,019
Net assets at beginning of year	-	-	-
<b>Net assets at end of year</b>	<u>\$ (38,014)</u>	<u>\$ 11,121,033</u>	<u>\$ 11,083,019</u>

See notes to financial statements.



**CATHOLIC DIOCESE OF FORT WORTH -  
ADVANCEMENT CORPORATION**

**STATEMENT OF CASH FLOWS  
Year Ended June 30, 2010**

Cash Flows from Operating Activities	
Change in net assets	\$ 11,083,019
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Allowance for uncollectible pledges	1,902,718
Change in operating assets and liabilities:	
Increase in accounts receivable - parishes and affiliates	(35,600)
Increase in contributions receivable	(29,503,633)
Increase in accounts payable	5,165,281
Increase in accrued expenses	737,599
Increase in contributions payable - parishes and affiliates	<u>18,406,257</u>
<b>Net cash provided by operating activities</b>	<u>7,755,641</u>
<b>Net increase in cash and cash equivalents</b>	7,755,641
Cash and cash equivalents at beginning of year	<u>-</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 7,755,641</u></u>

See notes to financial statements.



# CATHOLIC DIOCESE OF FORT WORTH - ADVANCEMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

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

The Catholic Diocese of Fort Worth - Advancement Corporation (the "Corporation") was formed in July 2009 as an integrated auxiliary of the Catholic Diocese of Fort Worth (the "Diocese") charged with receiving, managing, and distributing contributions intended to benefit the supported activities of the Diocese.

#### **Description of Programs**

The main purpose of the Corporation is to manage fundraising activities on behalf of the Diocese, including the collection and disbursement of contributions that support the various ministries of the Diocese. The Corporation receives contributions restricted to benefit individual parishes, schools, and other ministries. Capital and operating grants are provided to the parishes, schools, and other ministries to satisfy the donor restrictions.

#### **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 Advancement Corporation considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

#### **Contributions Receivable**

Contributions receivable are due from individual donors which are generally affiliated with parishes of the Diocese. Management periodically evaluates contributions receivable and records an allowance for uncollectible contributions based on historical collection rates on similar campaigns of the Diocese and other information known to management that may affect collectability. Account write-offs are posted against the allowance for doubtful accounts, and an expense is recorded only when write-offs exceed the balance of the allowance.

#### **Contributions Payable – Parishes and Affiliates**

As part of the *All Things Possible* campaign, the Corporation collects certain contributions on behalf of local parishes and schools that participated in the campaign. These payments are due within six months after completion of the parish's campaign.

#### **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.



# CATHOLIC DIOCESE OF FORT WORTH - ADVANCEMENT CORPORATION

## 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 Corporation.

#### **Income Taxes**

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation within the meaning of Section 509(a) of the Code. On July 1, 2009, the Advancement Corporation adopted the provisions of FASB ASC 740, *Income Taxes* which requires financial statement recognition and disclosure for uncertain tax positions taken or expected to be taken in a tax return. Financial statement recognition of a tax position is dependent on an assessment of a 50% or greater likelihood that the tax position will be sustained upon examination based on the technical merits of the position. Interest and penalties, if any, related to uncertain tax positions would be recorded in the statement of activities as administrative and support services expense. Upon adoption at July 1, 2009 and as of June 30, 2010, management determined that the Corporation does not have any unrecognized tax benefits.

#### **Fair Value of Financial Instruments**

The recorded value of contributions receivable approximates their fair value, as the discount rate applied to those receivables approximates market rates. The recorded values cash and cash equivalents, accounts payable, and pledges payable – parishes and affiliates approximate their fair values based on their short-term nature.

#### **Concentration of Credit Risk**

At June 30, 2010, the Corporation has deposits of approximately \$7,500,000 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.

#### **Subsequent Events**

Management evaluated subsequent events through March 9, 2011, which is the date the financial statements were available to be issued.

### NOTE 2. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2010 are measured at the present value of the estimated future cash flows using a discount rate equal to the risk free borrowing rate applicable to the year the pledge was made, resulting in an unamortized discount of \$1,889,707. Based on historical collection rates on similar campaigns of the Diocese, management determined that an allowance for doubtful contributions receivable of \$3,276,736 is considered necessary at June 30, 2010.



**CATHOLIC DIOCESE OF FORT WORTH - ADVANCEMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 2. CONTRIBUTIONS RECEIVABLE (Continued)**

Collection of contributions receivable is expected through 2017 as follows:

Due in one year	\$	1,177,947
Due in two years		8,881,009
Due in three years		9,216,384
Due in four years		8,438,290
Due in five years		4,827,208
Thereafter		226,520
		\$ 32,767,358

**NOTE 3. CONTRIBUTIONS PAYABLE – PARISHES AND AFFILIATES**

As part of the *All Things Possible* campaign, the Corporation collects certain contributions on behalf of local parishes and schools that participated in the campaign. These pledges are due to the schools and parishes beginning in 2011. Contributions payable to parishes and schools are reduced by the related discount of \$792,063 and allowance for doubtful contributions receivable of \$1,374,018 at June 30, 2010. The composition of contributions payable at June 30, 2010 follows:

Contributions payable for concurrent local campaigns	\$	11,941,987
Contributions payable for local share of <i>All Things Possible</i>		6,464,270
		\$ 18,406,257

**NOTE 4. RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2010 consist of amounts specified for specific programs and improvements of the parishes, schools, and ministries of the Diocese. Releases of donor restrictions during the year ended June 30, 2010 represent grants issued by the Corporation to affiliates to be used for the purposes designated in the *All Things Possible* campaign.

**NOTE 5. RELATED PARTIES**

The Corporation manages fundraising activities and collection of contributions on behalf of all of entities and ministries of the Diocese. Substantially all of the Corporation’s activities are conducted for the benefit of the Diocese and related entities and ministries.

The Corporation also pays a management fee to an affiliate to reimburse the costs of supporting services. For the year ended June 30, 2010, a total of \$11,000 was paid for these services.

