

**CATHOLIC FOUNDATION
OF NORTH TEXAS**

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2011



CONTENTS

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



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Catholic Foundation of North Texas
Fort Worth, Texas

We have audited the accompanying statement of financial position of the Catholic Foundation of North Texas (the "Foundation") as of June 30, 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation'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 Foundation's 2010 financial statements and in our report dated February 25, 2011 we 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 Catholic Foundation of North Texas as of June 30, 2011, 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 7, 2012

CATHOLIC FOUNDATION OF NORTH TEXAS

STATEMENTS OF FINANCIAL POSITION

June 30, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 484,828	\$ 720,169
Accounts receivable	2,447,178	2,289,279
Investments		
Marketable securities	36,710,922	33,087,871
Managed funds	2,852,360	-
Mineral interest	1,935,396	1,766,988
Land and buildings	43,099	43,059
Other assets	242,714	227,125
Total assets	\$ 44,716,497	\$ 38,134,491
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 397,276	\$ 435,480
Due to Central Office	79,592	69,944
Annuity obligations	279,605	299,951
Funds held for others	15,170,530	12,406,497
Total liabilities	15,927,003	13,211,872
Net Assets		
Unrestricted		
Undesignated	3,380,338	2,942,448
Designated	585,074	585,074
Total unrestricted	3,965,412	3,527,522
Temporarily restricted	21,469,018	18,078,884
Permanently restricted	3,355,064	3,316,213
Total net assets	28,789,494	24,922,619
Total liabilities and net assets	\$ 44,716,497	\$ 38,134,491

See notes to financial statements.



CATHOLIC FOUNDATION OF NORTH TEXAS

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2011 with comparative total for 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2011	2010
Revenue and other support					
Contributions	\$ 218,851	\$ 1,397	\$ 38,851	\$ 259,099	\$ 701,281
Investment income, net	5,041	584,018	-	589,059	551,551
Royalty income	322,566	-	-	322,566	294,498
Net realized and unrealized gain (loss)	(228,114)	4,247,040	-	4,018,926	2,311,301
Unrealized gain (loss) on mineral interest	168,408	-	-	168,408	(166,074)
Fees and related charges	84,424	-	-	84,424	91,353
Lease and rental income	1,266	-	-	1,266	1,266
Net assets released from restrictions	1,442,321	(1,442,321)	-	-	-
Total revenue and other support	2,014,763	3,390,134	38,851	5,443,748	3,785,176
Expenses					
Program services					
Grants	1,471,471	-	-	1,471,471	1,528,931
Financial services	57,107	-	-	57,107	52,173
Administrative and support services	48,295	-	-	48,295	63,558
Total expenses	1,576,873	-	-	1,576,873	1,644,662
Change in net assets	437,890	3,390,134	38,851	3,866,875	2,140,514
Net assets at beginning of year	3,527,522	18,078,884	3,316,213	24,922,619	22,782,105
Net assets at end of year	\$ 3,965,412	\$ 21,469,018	\$ 3,355,064	\$ 28,789,494	\$ 24,922,619

See notes to financial statements.



CATHOLIC FOUNDATION OF NORTH TEXAS

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Change in net assets	\$ 3,866,875	\$ 2,140,514
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(4,018,926)	(2,311,301)
Unrealized (gain) loss on mineral interest	(168,408)	166,074
Investment expense of annuity obligations	37,876	33,125
Permanently restricted contributions	(38,851)	(17,578)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(157,899)	(472,435)
Increase (decrease) in accounts payable	(38,204)	163,595
Increase in due to Central Office	9,648	19,871
Increase in funds held for others	2,764,033	2,074,286
Net cash provided by operating activities	2,256,144	1,796,151
Cash Flows from Investing Activities		
Increase in other assets	(15,589)	(21,091)
Purchase of land	(40)	(40)
Purchase of marketable securities	(4,698,840)	(12,528,507)
Purchase of managed funds	(2,700,000)	-
Proceeds from the sale of marketable securities	4,942,355	11,365,154
Net cash used by investing activities	(2,472,114)	(1,184,484)
Cash Flows from Financing Activities		
Cash received from permanently restricted contributions	38,851	17,578
Payment of annuity obligations	(58,222)	(53,086)
Amounts received on annuity obligations	-	46,312
Net cash provided (used) by financing activities	(19,371)	10,804
Net increase (decrease) in cash and cash equivalents	(235,341)	622,471
Cash and cash equivalents at beginning of year	720,169	97,698
Cash and cash equivalents at end of year	\$ 484,828	\$ 720,169

See notes to financial statements.



CATHOLIC FOUNDATION OF NORTH TEXAS

NOTES TO FINANCIAL STATEMENTS

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

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

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 (the "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.

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 consist of:

Grants – provides grant funding 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 assistance to the Diocese.

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 the estimates that are used.

Cash and Cash Equivalents

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



CATHOLIC FOUNDATION OF NORTH TEXAS

NOTES TO FINANCIAL STATEMENTS

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

Accounts Receivable

Accounts receivable are due almost exclusively from affiliates of the Foundation. Management periodically evaluates receivables for collectability and only records a reserve if ultimate collection appears doubtful. Management does not consider an allowance for doubtful accounts necessary at June 30, 2011 and 2010.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements 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.

Investments in managed funds are recorded at net asset value, based on reported amounts from the asset manager.

The Foundation's investments represent an investment pool that uses the market value unit method of accounting for investment transactions. Under this method, each fund or Diocesan 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 withdrawn from the pool.

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.

Other Assets

Other assets consist primarily of the cash surrender value of life insurance policies with the Foundation as the beneficiary.

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.

Revenue Recognition

Revenue is recognized as contributions are received or unconditionally pledged. Other revenues are recognized as they are earned.



CATHOLIC FOUNDATION OF NORTH TEXAS

NOTES TO FINANCIAL STATEMENTS

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

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.

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 Foundation.

Supporting Services

Administrative and fundraising costs related to the Foundation are jointly associated with the Central Office. There is no reasonable basis for estimating the direct cost associated with supporting services for the Foundation for the years ended June 30, 2011 and 2010.

Income Taxes

The Foundation 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.

The Foundation follows 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.

At June 30, 2011, management determined that the Foundation does not have any uncertain tax positions that require adjustments or disclosures in the financial statements.

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 Foundation's financial statements for the year ended June 30, 2010, from which the summarized information is derived.

Subsequent Events

Management evaluated subsequent events through March 7, 2012, which is the date the financial statements were available to be issued.



CATHOLIC FOUNDATION OF NORTH TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 2. INVESTMENTS AND FAIR VALUE

The accounting standards issued by the Financial Accounting Standards Board 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 standards define 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 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.

Other Assets and Liabilities

The recorded value of the annuity obligations approximates their fair value as interest approximates market rates. The recorded values of cash and cash equivalents, accounts receivable, accounts payable, and funds held for others 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 fair value of all debt and equity securities with a readily determinable fair value are based on quotations obtained from national securities exchanges. The alternative investments, which are not readily marketable managed funds, are carried at net asset values as provided by the fund managers. The estimated fair values may differ from the values that would have been used had a ready market for these securities existed.

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.



CATHOLIC FOUNDATION OF NORTH TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 2. INVESTMENTS AND FAIR VALUE (CONTINUED)

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 standard fair value hierarchy in which the fair value measurements fall at June 30, 2011 and 2010.

	2011 Fair Value	2010 Fair Value	Level
Cash and cash equivalents	\$ 1,350,262	\$ 314,695	1
Equity securities	14,805,270	18,301,470	1
Equity mutual funds	11,261,159	14,270,120	1
Fixed income mutual funds	9,294,231	201,586	1
Marketable securities	<u>\$ 36,710,922</u>	<u>\$ 33,087,871</u>	
Managed funds	<u>\$ 2,852,360</u>	<u>\$ -</u>	3

The activity in Level 3 investments during the year ended June 30, 2011 follows:

	2011
Balance at beginning of year	\$ -
Purchases and reinvestment of investment income	2,700,000
Unrealized gain	<u>152,360</u>
Balance at end of year	<u>\$ 2,852,360</u>

The Foundation holds the following investments in companies that value their funds based on net asset value at June 30, 2011:

	Fair Value	Redemption Frequency	Redemption Notice	Gate	Lock-up Period
Managed Funds:					
Absolute Access Fund	\$ 1,443,942	Semi-annual	95 Days	25% fund	1 year
Equity Access Fund	1,408,418	Semi-annual	95 Days	25% fund	1 year
	<u>\$ 2,852,360</u>				

Managed Funds

The Foundation invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. Investments in this category for which there is no readily determinable fair value are classified as Level 3 as the valuation is based on significant unobservable inputs. The fair values of these investments have been estimated using the net asset value per share of the investments as provided by the hedge fund managers.



CATHOLIC FOUNDATION OF NORTH TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 2. INVESTMENTS AND FAIR VALUE (CONTINUED)

Net realized and unrealized gain (loss) for the years ended June 30, 2011 and 2010 is summarized as follows:

	2011	2010
Net realized gain (loss)	\$ 102,153	\$ (365,946)
Net unrealized gain	3,916,773	2,677,247
Net realized and unrealized gain	<u>\$ 4,018,926</u>	<u>\$ 2,311,301</u>

Investment income is presented net of expenses of approximately \$98,000 and \$116,000 for the years ended June 30, 2011 and 2010, respectively.

NOTE 3. 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 underwrites 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 years ended June 30, 2011 and 2010 follows:

	2011	2010
Balance at beginning of year	\$ 299,951	\$ 273,600
Liability recorded for additional gifts	-	46,312
Investment expense of annuity obligations	37,876	33,125
Payments to annuitants	(58,222)	(53,086)
Balance at end of year	<u>\$ 279,605</u>	<u>\$ 299,951</u>

NOTE 4. FUNDS HELD FOR OTHERS

Funds held for others primarily relate to amounts that the Foundation manages for the Schools Trust, the Cemeteries Trust, and various parishes and affiliated entities of the Diocese. These amounts are recorded at their determinable fair values, and reported as a component of investments in the accompanying financial statements. Funds held for others consist of the following at June 30, 2011 and 2010:

	2011	2010
The Schools Trust	\$ 9,929,008	\$ 7,943,282
The Cemeteries Trust	1,193,347	993,618
Parishes and schools of the Diocese	3,452,096	2,791,669
Advancement Corporation	213,806	259,323
Other	382,273	418,605
	<u>\$ 15,170,530</u>	<u>\$ 12,406,497</u>



CATHOLIC FOUNDATION OF NORTH TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RESTRICTIONS ON ASSETS

The accompanying financial statements include net assets that are temporarily restricted based on various donor-imposed purpose and time restrictions.

A summary of temporarily restricted net assets at June 30, 2011 and 2010 follows:

	2011	2010
Catholic Partnership Campaign	\$ 871,197	\$ 871,197
Seminarian support	2,013,749	1,123,771
Schools Trust	823,821	489,141
Healthcare	17,760,251	15,594,775
	<u>\$ 21,469,018</u>	<u>\$ 18,078,884</u>

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

	2011	2010
Catholic Partnership Campaign	\$ -	\$ 88,043
Seminarian support	563,618	197,068
Schools Trust	86,990	89,927
Healthcare	791,713	546,519
	<u>\$ 1,442,321</u>	<u>\$ 921,557</u>

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

NOTE 6. ASSETS RESTRICTED AND DESIGNATED FOR PERMANENT ENDOWMENT

The net assets of the Foundation represent funds designated by donors and the Bishop to fund an endowment. Income generated by these assets is designated for support of seminarians. Endowment net asset composition by type of funds at June 30, 2011 and 2010 follows:

	2011		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor restricted	\$ -	\$ 2,013,749	\$ 3,355,064
Board designated	585,074	-	-
	<u>\$ 585,074</u>	<u>\$ 2,013,749</u>	<u>\$ 3,355,064</u>
			<u>\$ 5,953,887</u>



CATHOLIC FOUNDATION OF NORTH TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 6. ASSETS RESTRICTED AND DESIGNATED FOR PERMANENT ENDOWMENT (CONTINUED)

	2010		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor restricted	\$ -	\$ 1,123,771	\$ 3,316,213
Board designated	585,074	-	-
	<u>\$ 585,074</u>	<u>\$ 1,123,771</u>	<u>\$ 3,316,213</u>
			<u>\$ 5,025,058</u>

The changes in the endowment for the years ended June 30, 2011 and 2010 follow:

	2011		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Balance at beginning of year	\$ 585,074	\$ 1,123,771	\$ 3,316,213
Contributions	-	-	38,851
Investment income, net	-	93,537	-
Investment gains	-	1,358,793	-
Other income	-	1,266	-
Appropriation for expenditures	-	(563,618)	-
Balance at end of year	<u>\$ 585,074</u>	<u>\$ 2,013,749</u>	<u>\$ 3,355,064</u>

	2010		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Balance at beginning of year	\$ 585,377	\$ 598,768	\$ 3,298,635
Contributions	-	-	17,578
Investment income, net	-	97,096	-
Investment gains	-	810,108	-
Other income	-	1,266	-
Appropriation for expenditures	(303)	(383,467)	-
Balance at end of year	<u>\$ 585,074</u>	<u>\$ 1,123,771</u>	<u>\$ 3,316,213</u>
			<u>\$ 5,025,058</u>

Spending Policy and How the Investment Objectives Relate to Spending Policy

It is anticipated that annual distributions that total five (5%) percent of the average market value of the Endowment's assets at January 1st over the past five rolling years may be withdrawn quarterly for disbursement to support the Foundation.



CATHOLIC FOUNDATION OF NORTH TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 6. ASSETS RESTRICTED AND DESIGNATED FOR PERMANENT ENDOWMENT (CONTINUED)

Interpretation of Relevant Law

The Foundation's Board of Trustees have interpreted the State of Texas's Uniform Prudent Management of Institutional Funds Act (UPMIFA) requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. Therefore, the Foundation will classify as permanently restricted net assets:

- a) The original value of gifts donated to the permanent endowment,
- b) The original value of subsequent gifts to the permanent endowment, and
- c) Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Foundation's and the donor-restricted endowment fund.
3. General economic conditions.
4. The effect of inflation or deflation when the maintenance of purchasing power is specifically indicated by the donor.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Foundation.
7. The investment policies of the Foundation.

Return Objectives and Risk Parameters

The objective of the investment program is to enhance the Foundation's portfolio through capital appreciation and reinvestment of income above required needs. The Diocesan Finance Council and the Foundation Trustees recognize that this objective can be met over time only if the purchasing power of the investment portfolio is increased on a real dollar (inflation-adjusted) basis. Therefore, the Foundation's goal is to achieve a premium of four percent (4%) over the rate of inflation as measured by the Consumer Price Index over a five-year time horizon.

In order to meet the objectives for capital growth, the following guidelines are established with respect to the proportions of equities and fixed income securities held in the portfolio:

- 1) The equity exposure will not exceed seventy percent (70%) of the portfolio at market value. A high level of diversification across industry and individual holdings will be maintained. The maximum exposure to any industry shall be 20% of the total portfolio's market value and the maximum exposure to an individual security shall be 8% of the total portfolio's market value.



CATHOLIC FOUNDATION OF NORTH TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 6. ASSETS RESTRICTED AND DESIGNATED FOR PERMANENT ENDOWMENT (CONTINUED)

The majority of holdings shall be listed on a major exchange to take advantage of listing requirements, disclosure rules, and to improve liquidity. Prudent standards of quality will be developed and maintained by the investment manager. Companies whose securities are held should exhibit strong financial position and have a record of profitable operating results. It is expected that the majority of issues held shall be B+ or better rated securities by Standard & Poor's Corp. and the average rating of stocks shall meet this minimum test. The preference is for high quality dividend paying securities.

- 2) The fixed income exposure will be a minimum of thirty percent (30%) of the portfolio at market value. Except for U.S. Treasury and Agency obligations, the debt portion of the portfolio shall not contain more than ten percent (10%) from any given issuer. Maturity should be limited to fifteen years or less. The average maturity must not exceed eight years. The average quality rating of the fixed income portion of the portfolio should be A rated or better. The total percentage of the non-convertible fixed income portion rated less than A may not exceed ten percent (10%).

It is recognized that there may be times when the investment manager wishes to hold cash equivalents based on the near-term market outlook. The manager has the discretion to do so within the context of this longer-term allocation policy.

Strategies Employed for Achieving Objectives

All investment decisions on behalf of the Foundation shall be based upon and consistent with the above priorities. Specifically, it is desired that the following mix of investments be maintained:

Equities	70% or less
Fixed income/cash	30% or more

The Foundation shall select manager(s) that will routinely monitor economic and market conditions as well as Foundation cash flow requirements and will adjust the portfolio accordingly. In addition, the manager(s) will diversify the use of investment instruments, maturities, and individual financial institutions to avoid unreasonable risk inherent in over-investing in specific instruments, maturities, or individual financial institutions.

NOTE 7. RELATED PARTY

The Foundation is affiliated with the Central Office, both of which are governed by the Diocese. The Central Office provides certain administrative services to the Foundation. A total of \$79,592 and \$69,944 is due to the Central Office at June 30, 2011 and 2010, respectively, primarily for advances made by the Central Office to be paid out of the pooled investments for seminarian support.



CATHOLIC FOUNDATION OF NORTH TEXAS

NOTES TO FINANCIAL STATEMENTS

NOTE 7. RELATED PARTY (Continued)

The Central Office manages all claims against the Diocese and related entities including the Foundation. At June 30, 2011, the Central Office is managing various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of the activities of the Diocese and related entities. The outstanding 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 of these matters will not have a material adverse effect on the financial condition or results of operations of the Foundation.

