

CATHOLIC FOUNDATION - DIOCESE OF AUSTIN

Statements of Financial Position

As of June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Assets:		
Cash	\$ 37,686	\$ 47,627
Investments	<u>28,293,818</u>	<u>24,888,909</u>
Total Assets	<u>\$ 28,331,504</u>	<u>\$ 24,936,536</u>
Liabilities and Net Assets		
Accounts Payable	<u>\$ 38,197</u>	<u>\$ 53,747</u>
Total liabilities	<u>38,197</u>	<u>53,747</u>
Net assets:		
Unrestricted	25,748,598	23,112,172
Temporarily restricted	480,449	222,674
Permanently restricted	<u>2,064,260</u>	<u>1,547,943</u>
Total net assets	<u>28,293,307</u>	<u>24,882,789</u>
Total Liabilities and Net Assets	<u>\$ 28,331,504</u>	<u>\$ 24,936,536</u>

The accompanying notes are an integral part of these financial statements.

CATHOLIC FOUNDATION - DIOCESE OF AUSTIN

Statement of Activities
Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Contributions	\$ 3,000		\$ 516,317	\$ 519,317
Investment Income	3,556,974	319,975		3,876,949
Other	-			-
Total revenues, gains, and other support	<u>3,559,974</u>	<u>319,975</u>	<u>516,317</u>	<u>4,396,266</u>
Net assets released from restrictions	<u>62,200</u>	<u>(62,200)</u>	<u>-</u>	<u>-</u>
Total revenues and release of restrictions	<u>3,622,174</u>	<u>257,775</u>	<u>516,317</u>	<u>4,396,266</u>
Expenses and losses:				
Administration	24,014	-	-	24,014
Investment Fees	106,269	-	-	106,269
Distributions to Diocese of Austin	825,494	-	-	825,494
Distributions to Parishes	26,037	-	-	26,037
Distributions to Schools	3,934	-	-	3,934
Total expenses and losses	<u>985,748</u>	<u>-</u>	<u>-</u>	<u>985,748</u>
Change in net assets	2,636,426	257,775	516,317	3,410,518
Net assets at beginning of year	<u>23,112,172</u>	<u>222,674</u>	<u>1,547,943</u>	<u>24,882,789</u>
Net assets at end of year	<u>\$ 25,748,598</u>	<u>\$ 480,449</u>	<u>\$ 2,064,260</u>	<u>\$ 28,293,307</u>

The accompanying notes are an integral part of these financial statements.

CATHOLIC FOUNDATION - DIOCESE OF AUSTIN

Statement of Activities
Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Contributions	\$ 3,671,445	\$ -	\$ 228,662	\$ 3,900,107
Investment Income	2,258,339	167,695	-	2,426,034
Other	2,640	-	-	2,640
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues, gains, and other support	5,932,424	167,695	228,662	6,328,781
Net assets released from restrictions	54,169	(54,169)	-	-
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Total revenues and release of restrictions	5,986,593	113,526	228,662	6,328,781
Expenses and losses:				
Administration	27,103	-	-	27,103
Investment Fees	91,757	-	-	91,757
Distributions to Diocese of Austin	734,350	-	-	734,350
Distributions to Parishes	23,366	-	-	23,366
Distributions to Schools	3,090	-	-	3,090
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Total expenses and losses	879,666	-	-	879,666
Change in net assets	5,106,927	113,526	228,662	5,449,115
Net assets at beginning of year	18,005,245	109,148	1,319,281	19,433,674
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Net assets at end of year	\$ 23,112,172	\$ 222,674	\$ 1,547,943	\$ 24,882,789
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The accompanying notes are an integral part of these financial statements.

CATHOLIC FOUNDATION - DIOCESE OF AUSTIN

Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,410,518	\$ 5,449,115
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributed income	(529,898)	(316,432)
Net unrealized and realized (gains) losses on investments	(3,183,297)	(1,723,061)
Increase (decrease) in accounts payable	<u>(15,550)</u>	<u>8,243</u>
Net cash provided (used in) operating activities	<u>(318,227)</u>	<u>3,417,865</u>
Cash from investing activities:		
Proceeds from sale and maturities of investments	3,836,783	1,883,673
Purchase of investments	(3,991,028)	(4,869,563)
Net change in money market funds	<u>462,531</u>	<u>(389,607)</u>
Net cash provided by (used in) investing activities	<u>308,286</u>	<u>(3,375,497)</u>
Net increase (decrease) in cash	(9,941)	42,368
Cash and cash equivalents at beginning of year	<u>47,627</u>	<u>5,259</u>
Cash and cash equivalents at end of year	<u><u>\$ 37,686</u></u>	<u><u>\$ 47,627</u></u>
Cash paid for interest	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

CATHOLIC FOUNDATION - DIOCESE OF AUSTIN

Notes to Financial Statements

June 30, 2014 and 2013

Note A - Organization

The accompanying financial statements are those of the Catholic Foundation - Diocese of Austin (Foundation). The Foundation is a separate nonprofit Texas corporation created under IRC sections 501(c)(3) and 509(a)(3) as a supporting organization and integrated auxiliary of the Catholic Church.

The Foundation was formed to promote the establishment and growth of endowment funds and planned giving to provide perpetual funding to the Central Administrative Office of the Diocese of Austin (Diocese) and to participating parishes, schools and other Catholic organizations within the Diocese.

Note B - Summary of Significant Investment and Spending Policies

1. Investment Return Objectives, Risk Parameters and Strategies

The Foundation Board has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. The investment process seeks to achieve an after-cost total real rate of return that exceeds the annual distribution with acceptable levels of risk. The Foundation Board expects its endowment assets over time to produce a rate of return sufficient to provide those annual distributions.

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 endowment fund, (2) the purposes of the endowment, (3) the general economic conditions, (4) the possible effects of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies (including but not limited to its policy concerning minimum balances for an endowment fund).

Under the Foundation's standard endowment contract, the Foundation does not guarantee a rate of return or that the value of the fund will appreciate, nor does it have any responsibility to replenish the funds should net depreciation occur.

2. Spending Policy

Income available for spending is determined by a total return system. The Foundation expects to make distributions to the endowment beneficiary in the amount of four percent (4%) of the net fair market value of the fund, which includes the change in market value of the Fund, dividends and interest, net of expenses, all averaged over the prior three (3) years.

CATHOLIC FOUNDATION - DIOCESE OF AUSTIN

Notes to Financial Statements

June 30, 2014 and 2013

Note B - Summary of Significant Investment and Spending Policies (Continued)

3. Classification of Net Assets

The Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to permanent endowments, and (b) the original value of subsequent gifts to permanent endowments. The remaining portion of donor-restricted endowment funds that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by state law (Chapter 117, Property Code). Unrestricted and temporarily restricted net assets are considered appropriated for expenditure when distributions are made to the recipient beneficiary.

4. Funds with Deficiencies

Because the Foundation has no responsibility under the endowment contracts to replenish depreciated funds, other activity related to permanently restricted endowments, including investment gains and losses, distributions and administrative fees are recorded as temporarily restricted net assets.

Note C - Summary of Significant Accounting Policies

1. Method of Accounting

The financial statements of the Foundation are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to nonprofit organizations.

2. Basis of Presentation

The financial statements of the Foundation are presented in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958, *Not-for-Profit Entities*. The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

The net assets of an endowment fund can result from three sources: original principal, gains and losses, or interest and dividends. Each source is unrestricted unless its use is restricted, temporarily or permanently, by donor or by law. The donor may place different restrictions on each of the three sources.

Unrestricted net assets-- Includes net assets that are not subject to donor-imposed restrictions. An entity's governing board may establish an endowment fund. For such an endowment, all three sources: contributions, income, and gains and losses are unrestricted.

CATHOLIC FOUNDATION - DIOCESE OF AUSTIN

Notes to Financial Statements

June 30, 2014 and 2013

Note C - Summary of Significant Accounting Policies (Continued)

2. Basis of Presentation (Continued)

Temporarily restricted net assets-- Includes gifts for which donor-imposed restrictions have not been met. Term endowments are donated assets with stipulations that they be invested for a specified period of time, or until the occurrence of a specified event, to provide income for a specified period of time. In the absence of donor stipulations to the contrary, investment income and gains and losses on donor-restricted endowments are reported as temporarily restricted net assets.

Permanently restricted net assets-- Includes gifts that require, by donor restriction, that the corpus be invested in perpetuity to provide a permanent source of income.

3. Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and time deposits with an initial maturity of less than 90 days. Money market funds are considered to be held for investment and are not included in cash and cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the statements of activities. See Note D.

Investment income includes interest and dividends on investments, as well as both (1) the realized gains and losses on investment transactions and (2) unrealized gains and losses from changes in the market value of investments.

Realized gains and losses on disposition of investment securities are determined using average cost and transactions are recorded on a trade date basis. Net realized gains on disposition of investments for the years ended June 30, 2014 and 2013, were \$349,923 and \$239,470, respectively.

Fair Value of Financial Instruments

The fair value of investments are estimated based on valuations provided by the third party custodians. See Note G.

Contributions and Bequests

Contributions and bequests are recognized as revenue when they are received or unconditionally pledged. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence and/or nature of any donor restrictions.

The accompanying notes are an integral part of these financial statements.

CATHOLIC FOUNDATION - DIOCESE OF AUSTIN

Notes to Financial Statements

June 30, 2014 and 2013

Note C- Summary of Significant Accounting Policies (Continued)

3. Significant Accounting Policies (Continued)

Income Taxes

The Foundation is exempt from Federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. However, the Foundation is subject to tax under Section 511(a) to the extent it has unrelated business taxable income. The Foundation had no material unrelated business taxable income during the fiscal years ended June 30, 2014 or 2013.

The Foundation has adopted FASB ASC 740-10, which prescribed a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The Foundation invests in various securities including mutual funds, corporate stocks, exchange traded funds, bonds and money market funds. Investment securities, in general, are exposed to various risks, such as interest rate, credit, foreign exchange fluctuations, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and the statement of activities.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

Management of the Foundation has evaluated subsequent events for disclosure through the date of the independent auditors' report, the date the financial statements were issued.

The accompanying notes are an integral part of these financial statements.

CATHOLIC FOUNDATION - DIOCESE OF AUSTIN

Notes to Financial Statements

June 30, 2014 and 2013

Note D - Investments

Investments at June 30, 2014 and 2013, are summarized as follows:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Marketable securities				
Money market funds	\$ 874,149	\$ 874,149	\$ 1,336,680	\$ 1,336,680
Mutual funds - Bond	6,014,670	6,132,288	6,738,835	6,717,314
Mutual funds - Equity	9,471,787	13,132,514	8,717,506	10,595,884
Exchange Traded Funds - Commodities	835,649	1,030,813	561,895	506,897
Exchange Traded Funds - Equities	988,809	964,828	577,001	669,165
Corporate stocks	4,574,296	6,159,226	4,255,059	5,062,969
Total Investments	<u>\$ 22,759,360</u>	<u>\$ 28,293,818</u>	<u>\$ 22,186,976</u>	<u>\$ 24,888,909</u>

Investment income (loss) for the years ended June 30, 2014 and 2013, is comprised of the following:

	2014	2013
Interest and dividend income	\$ 693,652	\$ 702,973
Realized gains	349,923	239,470
Unrealized gains	2,833,374	1,483,591
	<u>\$ 3,876,949</u>	<u>\$ 2,426,034</u>

Note E - Endowment Funds

Endowment funds at June 30, 2014 and 2013, consist of the following:

	2014	2013
Unrestricted		
Our Faith ~ Our Legacy Seminarian Endowment	\$ 6,402,409	\$ 5,771,946
Our Faith ~ Our Legacy Catholic Charities of Central Texas Endowment	3,843,894	3,463,009
Our Faith ~ Our Legacy Retired Priests Endowment	3,843,894	3,463,009
Our Faith ~ Our Legacy Religious Education & Formation	2,330,483	2,082,084
Our Faith ~ Our Legacy Youth Ministry	2,331,520	2,082,084
Our Faith ~ Our Legacy Catholic Schools Endowment	1,282,619	1,154,073
Our Faith ~ Our Legacy Campus Ministry Endowment	1,280,913	1,154,073
Our Faith ~ Our Legacy Permanent Diaconate Endowment	1,280,965	1,154,073
Bishop Louis Reicher School Endowment	1,801,647	1,621,053
Sacred Heart Catholic School Endowment	1,383,119	1,211,629
	<u>25,781,463</u>	<u>23,157,033</u>

The accompanying notes are an integral part of these financial statements.

CATHOLIC FOUNDATION - DIOCESE OF AUSTIN

Notes to Financial Statements

June 30, 2014 and 2013

Note E - Endowment Funds (Continued)

	<u>2014</u>	<u>2013</u>
Permanently and Temporarily Restricted		
Beverly Guirard Endowment	554,081	494,915
Bishop John E. McCarthy Endowment	264,772	238,653
Bishop Gregory M. Aymond Endowment	199,353	178,781
Our Lady of Wisdom Endowment	156,729	136,296
Deacon Alfredo Vásquez Endowment	121,908	109,866
St. Ignatius, Martyr, Catholic School Endowment	116,288	103,680
The Fr. Bob Scott, CSP, Good Stop Endowment	115,977	102,510
Monsignor John Driscoll Endowment	139,597	97,952
Diocese of Austin Seminarian Endowment	112,113	88,701
Dean E. Wilhelm Endowment	85,540	-
Erlene and Arthur Goertz Endowment	64,711	58,470
Monica Therese Bailes Memorial	119,586	52,986
St. Dominic Savio Catholic HS Endowment	36,484	33,008
David & Cynthia Bednar Endowment	41,327	27,793
Danette Gaitros Memorial Endowment	26,731	-
University Catholic Center Endowment	24,356	15,384
Diocese of Austin Retired Priest Endowment	347,138	15,173
Arturo & Louisa Casiraghi Endowment	12,019	10,558
Diocese of Austin Catholic Schools Endowment	5,999	5,891
	<u>2,544,709</u>	<u>1,770,617</u>
	<u>\$ 28,326,172</u>	<u>\$ 24,927,650</u>

Note F - Restricted Net Assets

Contributions, income, and gains and losses that are restricted by the donor are recognized as temporarily or permanently restricted revenues. See Note C, Basis of Presentation. Temporary donor restrictions are released when the purpose set forth by the donor has been substantially achieved, generally when distributions are made to the recipient beneficiary.

Temporarily restricted net assets at June 30, 2014 and 2013, include:

	<u>2014</u>	<u>2013</u>
Investment gain (loss) on permanently restricted endowments	<u>\$ 480,449</u>	<u>\$ 222,674</u>

The accompanying notes are an integral part of these financial statements.

CATHOLIC FOUNDATION - DIOCESE OF AUSTIN

Notes to Financial Statements

June 30, 2014 and 2013

Note F - Restricted Net Assets (Continued)

Permanently restricted net assets at June 30, 2014 and 2013, include:

	<u>2014</u>	<u>2013</u>
Beverly Guirard Endowment	\$ 396,557	\$ 394,556
Bishop John E. McCarthy Endowment	207,064	207,064
Bishop Gregory M. Aymond Endowment	164,089	163,989
Our Lady of Wisdom Endowment	126,102	126,102
St. Ignatius, Martyr, Catholic School Endowment	99,106	99,106
Monsignor Driscoll Seminarian Endowment	122,870	97,870
Deacon Alfredo Vásquez Endowment	94,988	94,938
The Fr. Bob Scott, CSP, Good Stop Endowment	84,768	82,700
Diocese of Austin Seminarian Endowment	90,998	78,900
Dean Wilhelm Endowment	80,000	-
Erlene and Arthur Goertz Endowment	55,000	55,000
Monica Therese Bailes Memorial	103,746	50,000
St. Dominic Savio Catholic HS Endowment	30,000	30,000
David & Cynthia Bednar Endowment	35,000	25,000
Danette Gaitros Memorial Endowment	25,000	-
University Catholic Center Class Endowment	20,868	14,474
Diocese of Austin Retired Priest Endowment	312,329	12,644
Arturo & Louisa Casiraghi Endowment	10,000	10,000
Diocese of Austin Catholic Schools Endowment	5,775	5,600
	<u>\$ 2,064,260</u>	<u>\$ 1,547,943</u>

Net assets were released from donor restrictions by satisfying the purpose specified by donors as follows:

	<u>2014</u>	<u>2013</u>
Release of temporarily restricted investment revenue for distributions and expenses	<u>\$ 62,200</u>	<u>\$ 54,169</u>

Note G - Fair Values of Financial Instruments

FASB ASC 820-10, *Fair Value Measurements*, requires disclosure of fair value information about financial instruments, whether or not recognized in the statements of financial position. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. FASB ASC 820-10 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Foundation.

The accompanying notes are an integral part of these financial statements.

CATHOLIC FOUNDATION - DIOCESE OF AUSTIN

Notes to Financial Statements

June 30, 2014 and 2013

Note G - Fair Values of Financial Instruments (Continued)

Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

The Foundation has implemented FASB ASC 820-10 which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB-ASC 820-10 are described below:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The Foundation uses appropriate valuation techniques based on available inputs to measure the fair value of its investments. An asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques must maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Common stocks, corporate bonds and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Money market funds, Mutual funds, and Exchange Traded Funds: Valued at the net asset value (NAV) of shares held at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The accompanying notes are an integral part of these financial statements.

CATHOLIC FOUNDATION - DIOCESE OF AUSTIN

Notes to Financial Statements

June 30, 2014 and 2013

Note G - Fair Values of Financial Instruments (Continued)

The following table sets forth by level, within the fair value hierarchy, the fair value of assets as of June 30, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 874,149	\$ -	\$ -	\$ 874,149
Mutual funds - Bonds	6,132,288	-	-	6,132,288
Mutual funds - Equity	13,132,514	-	-	13,132,514
Exchange Traded Funds - Commodities	1,030,813	-	-	1,030,813
Exchange Traded Funds - Equities	964,828	-	-	964,828
Corporate stocks	6,159,226	-	-	6,159,226
	<u>\$ 28,293,818</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,293,818</u>

The following table sets forth by level, within the fair value hierarchy, the fair value of assets as of June 30, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 1,336,680	\$ -	\$ -	\$ 1,336,680
Mutual funds - Bonds	6,717,314	-	-	6,717,314
Mutual funds - Equity	10,595,884	-	-	10,595,884
Exchange Traded Funds - Commodities	506,897	-	-	506,897
Exchange Traded Funds - Equities	669,165	-	-	669,165
Corporate stocks	5,062,969	-	-	5,062,969
	<u>\$ 24,888,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,888,909</u>

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