



The Catholic Charitable Foundation for the Roman Catholic Diocese of San Angelo

Financial Report
Years Ended June 30, 2014 and 2013

**The Catholic Charitable Foundation for the
Roman Catholic Diocese of San Angelo**

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The Catholic Charitable Foundation for the Roman Catholic Diocese of San Angelo

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Independent Auditor's Report

Board of Trustees
The Catholic Charitable Foundation for the
Roman Catholic Diocese of San Angelo
San Angelo, Texas

We have audited the accompanying financial statements of The Catholic Charitable Foundation for the Roman Catholic Diocese of San Angelo, which comprise the Statements of Financial Position as of June 30, 2014 and 2013, the related Statements of Activities and Changes in Net Assets, and Cash Flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Catholic Charitable Foundation for the Roman Catholic Diocese of San Angelo as of June 30, 2014 and 2013, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

January 5, 2015

Financial Statements

**The Catholic Charitable Foundation for the
Roman Catholic Diocese of San Angelo**

Statements of Financial Position

<i>June 30,</i>	2014	2013
Assets		
Cash and cash equivalents	\$ 9,327	\$ 4,265
Interest receivable	2,843	2,015
Pledges receivable	12,400	48,000
Prepaid expense	300	300
Investments	5,277,090	4,303,018
Total Assets	\$ 5,301,960	\$ 4,357,598
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 1,307	\$ 610
Agency accounts	3,652,776	3,197,087
Total Current Liabilities	3,654,083	3,197,697
Net Assets		
Unrestricted:		
Administrative funds	38,992	25,802
Undesignated endowments	699,717	640,981
Designated endowments	909,168	493,118
Total Net Assets	1,647,877	1,159,901
Total Liabilities and Net Assets	\$ 5,301,960	\$ 4,357,598

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

**The Catholic Charitable Foundation for the
Roman Catholic Diocese of San Angelo**
Statements of Activities and Changes in Net Assets

<i>Years ended June 30,</i>	2014				2013			
	Administrative Funds	Undesignated Endowments	Designated Endowments	Total	Administrative Funds	Undesignated Endowments	Designated Endowments	Total
Revenue and Gains								
Donations - non-endowment	\$ -	\$ -	\$ -	\$ -	\$ 300	\$ -	\$ -	\$ 300
Donations - endowment	-	-	348,025	348,025	-	-	237,810	237,810
Management fee income	24,056	-	-	24,056	20,272	-	-	20,272
Interest and dividends	828	15,213	14,798	30,839	(220)	14,868	7,532	22,180
Realized gain on sale of investments	-	35,563	34,983	70,546	-	5,345	2,400	7,745
Unrealized gains on investments	-	39,044	34,358	73,402	-	46,078	21,692	67,770
Other income	-	2,637	2,270	4,907	-	2,331	1,070	3,401
Total Revenue and Gains	24,884	92,457	434,434	551,775	20,352	68,622	270,504	359,478
Expenses								
Grants awarded	-	27,160	12,007	39,167	-	23,047	7,889	30,936
Service charges	-	-	-	-	73	-	-	73
Management fee	-	3,388	3,327	6,715	-	3,140	1,614	4,754
Professional and administrative	9,414	-	-	9,414	8,600	-	-	8,600
Postage and supplies	1,368	-	-	1,368	894	-	-	894
Investment advisory fees	-	3,173	3,050	6,223	-	3,052	1,544	4,596
Website fees	600	-	-	600	600	-	-	600
Online giving fees	312	-	-	312	240	-	-	240
Total Expenses	11,694	33,721	18,384	63,799	10,407	29,239	11,047	50,693
Change in Net Assets	13,190	58,736	416,050	487,976	9,945	39,383	259,457	308,785
Net Assets, beginning of period	25,802	640,981	493,118	1,159,901	15,857	601,598	233,661	851,116
Net Assets, end of period	\$ 38,992	\$ 699,717	\$ 909,168	\$ 1,647,877	\$ 25,802	\$ 640,981	\$ 493,118	\$ 1,159,901

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

**The Catholic Charitable Foundation for the
Roman Catholic Diocese of San Angelo**

Statements of Cash Flows

<i>Years ended June 30,</i>	2014	2013
Cash Flows from Operating Activities		
Change in net assets	\$ 487,976	\$ 308,785
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized (gain) on sale of investments	(70,546)	(7,745)
Unrealized (gain) on investments	(73,402)	(67,770)
(Increase) decrease in interest receivable	(828)	220
Decrease (Increase) in pledges receivable	35,600	(48,000)
Increase in accounts payable	697	305
Increase in agency accounts	455,689	271,737
Net Cash Provided by Operating Activities	835,186	457,532
Cash Flows from Investing Activities		
Net purchase of investments	(830,124)	(457,887)
Net Cash (Used in) Investing Activities	(830,124)	(457,887)
Net Increase (Decrease) in Cash and Cash Equivalents	5,062	(355)
Cash and cash equivalents, beginning of year	4,265	4,620
Cash and Cash Equivalents, end of year	\$ 9,327	\$ 4,265

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

The Catholic Charitable Foundation for the Roman Catholic Diocese of San Angelo

Notes to Financial Statements

1. Reporting Entity

Purpose

The Catholic Charitable Foundation for the Roman Catholic Diocese of San Angelo (the Foundation) is an independent, non-profit organization established to manage endowment and other funds for the benefit of the Roman Catholic Diocese of San Angelo (the Diocese), Roman Catholic parishes, schools, agencies and organizations within the Diocese.

The Foundation was established in April 2010 and began financial operations in September 2010.

The Foundation exists to assure funding for the future of our Catholic programs and ministries and to support our Catholic mission. The Foundation also assists the faithful by establishing a way for them to exercise their philanthropy by giving a gift that will last in perpetuity and provide lasting financial support to religious educational and apostolic activities of the Roman Catholic Church, primarily within the 29 counties of West and Central Texas that comprise the territorial boundaries of the Diocese. All gifts and monies received will be invested and managed for the benefit of the Diocese, the parishes, the Catholic schools or other Catholic institutions and ministries within the Diocese. Grants from established endowment funds will be made according to the donor's intent, in amounts - and on terms - as directed by the Board of Trustees (the Board).

Types of Gifts

Gifts can be made to the Foundation at any time in any amount. All gifts over \$50 will be placed in the Foundation's unrestricted endowment fund unless the donor identifies an established designated endowment fund to which they wish to contribute. All gifts made to the Foundation are irrevocable gifts.

Types of gifts may include cash, securities, life insurance policies, and Individual Retirement Accounts (IRAs) that name the Foundation as a beneficiary, as well as mineral interests and real estate gifts. Non-cash gifts will generally be converted to cash as soon as possible after receipt of the gift.

All non-cash gifts must be approved by the Board to insure that no liability is incurred for the Foundation by their acceptance.

Types of Funds

Agency accounts are investment management agreements with donors that are established for investment purposes only; no ownership rights are transferred to the Foundation. These funds are classified as liabilities in the Statements of Financial Position.

Undesignated endowments are contributions to the Foundation for the general benefit of the Diocese. These funds are irrevocable gifts with variance power granted to the Foundation. At present these funds are identified as:

The Joe C. and Mary Multer Moeller Fund
Undesignated Endowment

The Catholic Charitable Foundation for the Roman Catholic Diocese of San Angelo

Notes to Financial Statements

1. Reporting Entity (Continued)

Types of Funds (Continued)

Designated endowments are irrevocable gifts (not donor advised funds) with variance power granted to the Foundation. The funds were established by the following donors or in honor of the named endowments:

Marlene Del Davis Memorial Fund
Matthew B. Fenner Memorial Fund
Holy Family Catholic Church
Robert J. and Anne D. Huot
Morgan and Gene Knapp Memorial Fund
St. Elizabeth Ann Seton Catholic Church
St. Mary Central Catholic School
Most Reverend Michael D. Pfeifer Endowment Fund
Catholic Charities
Our Lady of San Juan Mission, Odessa
St. Mary's Church, Odessa

Grants

Grants may be made from an endowment fund beginning one year after the fund has been established. The first grants were made in 2012. Information on the grant application process will be published on the Foundation's website prior to grant making.

2. Significant Accounting Policies

Financial Statement Presentation

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, as follows:

Unrestricted - Resources that are expendable at the discretion of the Board for conducting the operations of the Foundation.

Temporarily Restricted - Resources that are limited by the donor with stipulations that can be fulfilled by actions of the Board pursuant to those stipulations.

Permanently Restricted - Resources that are limited by the donor for preservation of corpus.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

The Catholic Charitable Foundation for the Roman Catholic Diocese of San Angelo

Notes to Financial Statements

2. Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

The Fair Value Measurements and Disclosures topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, defines fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurements to include how fair value is determined for assets and liabilities. ASC 820 clarifies that fair value is an exit price representing the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The significant levels of inputs are as follows:

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 - Inputs that are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions as there is little, if any, related market activity.

The Foundation's investments are all classified as Level 1.

Cash and Cash Equivalents

Cash and cash equivalents for the Statements of Cash Flows are defined as all short-term investments in financial institutions maturing within three months of the financial statement date.

Investments

Investments in investment management accounts are carried at fair value.

Income Taxes

The Foundation operates as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and, as such, is not subject to federal or state income tax. The Foundation follows the provisions of ASC 740-10 on *Accounting for Uncertainty in Income Taxes*. Under ASC 740-10, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. The Foundation's management believes it has no material uncertain tax positions and, accordingly, will not recognize any related liability. For the years ended June 30, 2014 and 2013, the Foundation did not recognize any interest or penalties.

Tax years 2013-2011 remain open to examination by the taxing jurisdictions to which the Foundation is subject, and these periods have not been extended beyond the applicable statute of limitations.

**The Catholic Charitable Foundation for the
Roman Catholic Diocese of San Angelo**

Notes to Financial Statements

3. Investments

Investments are reported at fair value with realized gains (losses) and unrealized appreciation (depreciation) reported in the Statements of Activities. The investments are carried at fair value in the Statements of Financial Position. The cost and estimated market value of investments at June 30 were as follows:

<i>2014</i>	Cost	Unrealized Appreciation (Depreciation)	Fair Value
Cash equivalents	\$ 45,590	\$ -	\$ 45,590
U.S. Government obligations	1,291,083	19,128	1,310,211
Municipal bonds	255,064	8,949	264,013
Corporate bonds	483,545	13,904	497,449
Equities	1,666,359	464,716	2,131,075
Mutual funds - equities	283,034	36,149	319,183
Mutual funds - other	559,329	150,240	709,569
Total	\$ 4,584,004	693,086	\$ 5,277,090
Less: Agency funds allocation		(619,684)	
Unrealized Gain - Foundation Only		\$ 73,402	

<i>2013</i>	Cost	Unrealized Appreciation (Depreciation)	Fair Value
Cash equivalents	\$ 450,106	\$ -	\$ 450,106
U.S. Government obligations	474,709	10,862	485,571
Municipal bonds	355,253	3,332	358,585
Corporate bonds	386,290	7,715	394,005
Equities	1,532,792	339,066	1,871,858
Mutual funds - equities	199,353	11,628	210,981
Mutual funds - other	482,592	49,320	531,912
Total	\$ 3,881,095	421,923	4,303,018
Less: Agency funds allocation		(354,153)	
Unrealized Gain - Foundation Only		\$ 67,770	

4. Pledges Receivable

Pledges receivable as of June 30, 2014 and 2013 amounted to \$12,400 and \$48,000, respectively.

**The Catholic Charitable Foundation for the
Roman Catholic Diocese of San Angelo**

Notes to Financial Statements

4. Pledges Receivable (Continued)

Pledges receivable are expected to be collected as follows during the years ending June 30:

2015	\$	9,300
2016		3,100
	\$	12,400

Pledges receivable considered to be long-term have not been discounted due to their insignificance to the financial statements taken as a whole.

Pledges receivable are recognized as revenue in the period pledged. Management has determined that an allowance for uncollectible promises to give is not necessary at this time, based upon their inquiries and contact with donors.

5. Endowment Funds

General Information

The Foundation maintains a fund established to manage endowment and other funds for the benefit of the parishes, schools, agencies, and organizations within the Diocese.

The funds include a donor-restricted endowment contribution. The donor-restricted endowment funds fall under the provisions of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the state of Texas with an effective date of September 1, 2007. This policy defines the Foundation's interpretation of the provisions of this law as they relate to the prudent management of its endowment fund.

Endowment "Principal" Interpretation, and the Effect of Variance Powers

The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. Unlike permanent endowments, however, the endowment documents used to create the endowments in the Foundation specifically grant the Foundation the power to redirect and allocate funds as determined necessary by the Foundation. These powers are known as "Variance Powers". As a result of being granted these powers, the Foundation records all endowment net assets as unrestricted endowments, either designated or undesignated. The Foundation intends to maintain the original value of endowment gifts and spend only the earnings from such endowments.

Endowment Investment Objectives

Endowment investments are managed by professional money managers under the direction of the Board. Funds are invested in a manner that seeks to produce results that meet or exceed the performance of generally recognized market indices, while assuming a moderate level of investment risk.

**The Catholic Charitable Foundation for the
Roman Catholic Diocese of San Angelo**

Notes to Financial Statements

5. Endowment Funds (Continued)

Endowment Investment Objectives (Continued)

To satisfy this performance objective, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on capital preservation of investments to achieve its long-term return objectives, within prudent risk constraints.

Endowment "Income" Appropriation (Spending Policy)

The Board adopted an annual spend rate. The spend rate is the policy for distributing money from endowment funds that attempts to both preserve the capital investment and provide adequate income to the beneficiary while complying with state law. Texas law currently identifies a prudent spend rate of 5% or less of the value of a fund averaged over a three-year period, or for new funds valued over the life of the fund.

In accordance with UPMIFA, in all its endowment spending activity, the Foundation considers the following factors in making a determination to appropriate (spend) or accumulate donor-restricted endowment funds:

1. The duration and/or preservation of the endowment fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic and investment market conditions
4. The possible effect of inflation and/or deflation
5. The expected total return from income and the historic appreciation of investments
6. Other resources of the Foundation, and
7. The investment policies of the Foundation.

Endowment Net Asset Composition by Type of Fund as of June 30

<i>2014</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Undesignated endowment funds	\$ 699,717	\$ -	\$ -	\$ 699,717
Designated endowment funds	909,168	-	-	909,168
Total	\$ 1,608,885	\$ -	\$ -	\$ 1,608,885

<i>2013</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Undesignated endowment funds	\$ 640,981	\$ -	\$ -	\$ 640,981
Designated endowment funds	493,118	-	-	493,118
Total	\$ 1,134,099	\$ -	\$ -	\$ 1,134,099

The Catholic Charitable Foundation for the Roman Catholic Diocese of San Angelo

Notes to Financial Statements

6. Related Party

The Diocese provides bookkeeping and administrative services for the Foundation. The Foundation pays fiduciary fees to First Financial Trust & Asset Management, which acts as investment portfolio advisor and asset custodian for the Trustees.

7. Subsequent Events

Subsequent events have been evaluated by management from June 30, 2014 through January 5, 2015, which is the date the financial statements were available to be issued.