

FUNDS ADMINISTERED BY THE FINANCE COMMITTEE
OF THE EPISCOPAL DIOCESE OF FORT WORTH

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

TOGETHER WITH

INDEPENDENT AUDITOR'S REPORT

SPILLAR, MITCHAM, EATON & BICKNELL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

MICHAEL D. MITCHAM
JEFFERY L. EATON
TIMOTHY J. BICKNELL

August 14, 2013

INDEPENDENT AUDITOR'S REPORT

Finance Committee
The Episcopal Diocese of Fort Worth

We have audited the accompanying financial statements of the Funds Administered by the Finance Committee of The Episcopal Diocese of Fort Worth, which comprise the statement of financial position as of December 31, 2012 and 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 of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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. 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.

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 Funds Administered by the Finance Committee of the Episcopal Diocese of Fort Worth as of December 31, 2012 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.

Spillar Mitcham Eaton & Bicknell L.L.P.
SPILLAR, MITCHAM, EATON & BICKNELL, L.L.P.

FUNDS ADMINISTERED BY THE FINANCE COMMITTEE
OF THE EPISCOPAL DIOCESE OF FORT WORTH
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

ASSETS

Cash and cash equivalents	\$1,264,417
Accounts receivable	20,594
Notes receivable	648,598
Property and equipment, net	<u>1,108,921</u>
Total Assets	<u>\$3,042,530</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	<u>\$ 19,354</u>
Total Liabilities	<u>19,354</u>
Net Assets	
Unrestricted	
Undesignated	1,361,321
Board designated for specific purposes	<u>920,065</u>
Total Unrestricted	2,281,386
Temporarily restricted	<u>741,790</u>
Total Net Assets	<u>3,023,176</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$3,042,530</u>

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

FUNDS ADMINISTERED BY THE FINANCE COMMITTEE
OF THE EPISCOPAL DIOCESE OF FORT WORTH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Other Support			
Parish and mission assessments	\$1,518,377	\$	\$1,518,377
Mission apportionments	228,386		228,386
Endowment of the Episcopate	13,420		13,420
Interest income	3,805		3,805
Other support	52,104		52,104
Special Programs - gifts, activities and reimbursements		3,098,787	3,098,787
Net assets released from restrictions	<u>2,404,862</u>	<u>(2,404,862)</u>	<u> </u>
TOTAL REVENUE AND OTHER SUPPORT	<u>4,220,954</u>	<u>693,925</u>	<u>4,914,879</u>
Expenses and Losses			
General Church	121,790		121,790
Ministry of the Episcopate	210,422		210,422
Building operations and maintenance	100,829		100,829
Office operation	60,417		60,417
Diocesan support	131,850		131,850
Program administration			
Staff compensation and benefits	362,053		362,053
Department of Missions	472,382		472,382
Diocesan Ministries	250,125		250,125
Community Ministries	29,000		29,000
Special Programs	2,404,862		2,404,862
Grants	<u>5,600</u>	<u> </u>	<u>5,600</u>
TOTAL EXPENSES AND LOSSES	<u>4,149,330</u>	<u>-0-</u>	<u>4,149,330</u>
Change in Net Assets	71,624	693,925	765,549
Net Assets, January 1, 2012	<u>2,209,762</u>	<u>47,865</u>	<u>2,257,627</u>
Net Assets, December 31, 2012	<u>\$2,281,386</u>	<u>\$ 741,790</u>	<u>\$3,023,176</u>

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

FUNDS ADMINISTERED BY THE FINANCE COMMITTEE
OF THE EPISCOPAL DIOCESE OF FORT WORTH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

Cash Flows From Operating Activities	
Change in net assets	\$ 765,549
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	53,596
(Increase) decrease in operating assets:	
Accounts receivable	12,765
Increase (decrease) in operating liabilities:	
Accounts payable	<u>(6,295)</u>
Net Cash Provided by Operating Activities	<u>825,615</u>
Cash Flows From Investing Activities	
Purchase of property and equipment	(4,300)
Principal payments on notes receivable	<u>22,304</u>
Net Cash Provided by Investing Activities	<u>18,004</u>
Net Increase in Cash and Cash Equivalents	843,619
Cash and Cash Equivalents:	
January 1, 2012	<u>420,798</u>
December 31, 2012	<u>\$1,264,417</u>

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

FUNDS ADMINISTERED BY THE FINANCE COMMITTEE
OF THE EPISCOPAL DIOCESE OF FORT WORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The Episcopal Diocese of Fort Worth (the Diocese), was organized in January of 1983 under the Constitution and Canons of the Episcopal Church U.S.A. The Diocese is a constituent member of the Anglican Communion. The Bishop of the Diocese has jurisdiction over all organizations within the Diocese. These include parishes, missions, schools, and other certain charitable organizations and funds. Title to all property of these organizations is in the name of the Corporation of the Episcopal Diocese of Fort Worth.

The accompanying financial statements include accounts maintained by the Finance Committee of the Diocese. These accounts include general operations of the Diocese, loans made to related organizations, and special donor restricted accounts and pass-through accounts.

The Corporation of the Episcopal Diocese of Fort Worth holds substantial amounts of real estate intended for use in Diocesan activities. Such real estate held by the Corporation is not included in the accompanying financial statements.

BASIS OF ACCOUNTING

The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

INCOME TAX STATUS

The Diocese is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

STATEMENT OF CASH FLOWS

For purposes of the Statement of Cash Flows, cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

FUNDS ADMINISTERED BY THE FINANCE COMMITTEE
OF THE EPISCOPAL DIOCESE OF FORT WORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTES RECEIVABLE

The Diocese lends money to various parishes and missions. During 2012, no new loans were made. All notes are unsecured. A summary of the outstanding notes receivable at December 31, 2012:

	<u>Maturities</u>	<u>Interest Rates</u>	<u>Current Portion</u>	<u>Long-term Portion</u>	<u>Total</u>
Revolving loan account	2014-2037	4.00%-6.00%	\$ 12,779	\$630,029	\$642,808
Special programs	2017	2.00%	<u>1,215</u>	<u>4,575</u>	<u>5,790</u>
			<u>\$ 13,994</u>	<u>\$634,604</u>	<u>\$648,598</u>

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method. Property and equipment consist of the following:

	<u>Estimated Lives</u>	<u>Cost</u>	<u>Depreciation Expense</u>
Land		\$ 230,632	\$
Diocesan Center Building	40 years	1,195,032	29,876
Landscaping	15 years	191,853	12,790
Computer equipment and software	3 years	37,782	-0-
Telephone system	5 years	7,005	-0-
Furniture and fixtures	5 years	216,448	737
Automobiles	5 years	<u>50,964</u>	<u>10,193</u>
		1,929,716	<u>\$ 53,596</u>
Less accumulated depreciation		<u>820,795</u>	
Property and equipment, net		<u>\$1,108,921</u>	

FUNDS ADMINISTERED BY THE FINANCE COMMITTEE
OF THE EPISCOPAL DIOCESE OF FORT WORTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

BOARD DESIGNATED NET ASSETS

The board has designated a revolving loan account to lend money to various parishes and missions.

NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during 2012. The total amount released for 2012 was \$2,404,862.

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2012:

Legal	\$ 543,259
Risk Retention	82,643
Other	<u>115,888</u>
	<u>\$ 741,790</u>

RETIREMENT PLAN

The Diocese maintains a 403(b) retirement plan for Clergy and eligible lay employees that is administered by Frost Bank. Contributions are determined by salaries and length of service. The total expended for pension benefits in 2012 was \$113,396.

CONTINGENCIES

During 2009, the Corporation of the Episcopal Diocese of Fort Worth ("the Corporation") was named in several lawsuits brought by organizations that have withdrawn from the Diocese. The Corporation has engaged legal counsel and intends to vigorously defend against the claims. Management of the Funds Administered by the Finance Committee of the Episcopal Diocese of Fort Worth believes that the lawsuits are completely without merit, and no liability has been recorded by the Organization as a result.

ADDITIONAL INFORMATION

SPILLAR, MITCHAM, EATON & BICKNELL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

MICHAEL D. MITCHAM
JEFFERY L. EATON
TIMOTHY J. BICKNELL

August 14, 2013

Independent Auditor's Report on Additional Information

Finance Committee
The Episcopal Diocese of Fort Worth

We have audited the financial statements of the Funds Administered by the Finance Committee of the Episcopal Diocese of Fort Worth as of and for the year ended December 31, 2012, and have issued our report thereon dated August 14, 2013, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Statement of Budgeted and Actual Activities of the Operating Account and Statement of Net Assets of the Special Programs are presented for purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Spillar Mitcham Eaton & Bicknell L.P.

SPILLAR, MITCHAM, EATON & BICKNELL, L.L.P.

FUNDS ADMINISTERED BY THE FINANCE COMMITTEE
OF THE EPISCOPAL DIOCESE OF FORT WORTH

STATEMENT OF BUDGETED AND ACTUAL ACTIVITIES
OF THE OPERATING ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Operating Account</u>		Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue and Other Support			
Parish and mission assessments	\$1,490,092	\$1,518,377	\$ 28,285
Mission apportionments	228,500	228,386	(114)
Endowment of the Episcopate	13,420	13,420	
Other support	<u>33,000</u>	<u>52,104</u>	<u>19,104</u>
	<u>1,765,012</u>	<u>1,812,287</u>	<u>47,275</u>
Expenses and Losses			
General church	122,140	121,790	350
Ministry of the Episcopate	197,972	210,422	(12,450)
Building operations and maintenance	61,100	100,829	(39,729)
Office operation	72,500	60,417	12,083
Diocesan support	136,000	131,850	4,150
Program administration			
Staff compensation and benefits	410,500	362,053	48,447
Department of Missions	468,500	472,382	(3,882)
Diocesan Ministries	267,300	250,125	17,175
Community Ministries	<u>29,000</u>	<u>29,000</u>	
	<u>1,765,012</u>	<u>1,738,868</u>	<u>26,144</u>
Change in Net Assets	<u>\$ -0-</u>	<u>\$ 73,419</u>	<u>\$ 73,419</u>

FUNDS ADMINISTERED BY THE FINANCE COMMITTEE
OF THE EPISCOPAL DIOCESE OF FORT WORTH

STATEMENT OF NET ASSETS OF THE SPECIAL PROGRAMS
DECEMBER 31, 2012

<u>Program Title</u>	Balance Beginning of Year	Revenue	Expense Disbursements	Balance End of Year
Assisting Bishop's Fund	\$ 14,254	\$ 1,700	\$ 4,389	\$ 11,565
Bishop's Golf Tournament	18,829	46,423	39,838	25,414
Bishop's Mission Work	6,823	5,575	4,889	7,509
Clergy Retreat	405	16,375	16,780	-0-
Convention	1,326	6,407	7,151	582
Endowment of the Episcopate	13,420	7,648	13,451	7,617
La Gran Familia	24,426	16,816	12,750	28,492
Legal Fund	(105,773)	2,760,554	2,111,522	543,259
Memorial Scholarship Account	372	484	99	757
N. Malawi Centurions	2,897	27,405	30,300	2
Other Accounts	15,981	73,042	69,055	19,968
Risk Retention	35,701	119,028	72,086	82,643
St. Peter's Account	18,600	138	3,349	15,389
Turner Fund	<u>604</u>	<u>17,192</u>	<u>19,203</u>	<u>(1,407)</u>
Totals	<u>\$ 47,865</u>	<u>\$3,098,787</u>	<u>\$2,404,862</u>	<u>\$741,790</u>

