

**THE CATHOLIC DIOCESE  
OF JEFFERSON CITY FUND**

Jefferson City, Missouri

**INDEPENDENT AUDITORS' REPORT**

For The Year Ended June 30, 2011

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
**The Catholic Diocese of Jefferson City Fund**  
Jefferson City, Missouri:

We have audited the accompanying statement of financial position of **The Catholic Diocese of Jefferson City Fund (the Fund)** (a nonprofit organization) as of June 30, 2011 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **The Catholic Diocese of Jefferson City Fund** 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The comparative schedules on pages 13 and 14 are presented for purposes of additional analysis and are not required parts 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.

*Evers & Company, CPA's, LLC*

EVERS & COMPANY, CPA's, L.L.C.  
Jefferson City, Missouri

November 8, 2011

**THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND**  
Jefferson City, Missouri

**STATEMENT OF FINANCIAL POSITION**  
June 30, 2011

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**Assets**

Cash and cash equivalents	\$	2,708,819
Investments, at fair value		44,755,120
Accrued interest and dividends		180,794
Loan program for parishes		4,383,674
Total Assets	\$	<u>52,028,407</u>

**Liabilities**

Deposits from parishes and others	\$	22,609,045
Funds held for others		27,925,400
Accounts payable and accrued expenses		121,876
Total Liabilities		<u>50,656,321</u>

**Net Assets**

Unrestricted		<u>1,372,086</u>
Total Liabilities and Net Assets	\$	<u>52,028,407</u>

See accompanying notes to the financial statements.

**THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND**  
Jefferson City, Missouri

**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2011

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**Revenues, Gains, and Other Support**

Dividend and interest income, investments	\$ 672,266
Interest income, loans	227,688
Realized gain (loss) on investments	(2,139)
Unrealized gain (loss) on investments	209,418
Total Revenues, Gains, and Other Support	<u>1,107,233</u>

**Expenses**

Program:	
Interest on depositors' fund	448,748
Support Services:	
Accounting & auditing services	48,000
Investment management	28,499
Miscellaneous	2,280
Unallocated payments to affiliated organizations	250,000
Total Expenses	<u>777,527</u>

Change in Unrestricted Net Assets 329,706

Net assets, beginning of year 1,042,380

Net assets, end of year \$ 1,372,086

See accompanying notes to the financial statements.

**THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND**  
Jefferson City, Missouri

**STATEMENT OF CASH FLOWS (INDIRECT METHOD)**

For the Year Ended June 30, 2011

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Cash Flows from Operating Activities:	
Change in net assets	\$ 329,706
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Net unrealized and realized losses (gains) on investments	(207,279)
Increase in accrued interest and dividends	(23,864)
Decrease in accounts payable	(3,711)
Increase in funds held for others	3,766,866
Net Cash Provided (Used) by Operating Activities	<u>3,861,718</u>
Cash Flows from Investing Activities	
Proceeds from sale of investments	2,873,133
Purchase of investments	(14,263,954)
Principal collections on loans to parishes	914,118
Net Cash Provided (Used) by Investing Activities	<u>(10,476,702)</u>
Cash Flows from Financing Activities	
Additions to deposits from parishes and others	12,018,181
Withdrawals from deposits from parishes and others	<u>(8,412,481)</u>
Net Cash Provided (Used) by Financing Activities	<u>3,605,700</u>
Net change in cash and cash equivalents	(3,009,284)
Cash and cash equivalents, beginning of year	<u>5,718,103</u>
Cash and cash equivalents, end of year	<u>\$ 2,708,819</u>

Supplemental Disclosures of Cash Flow Information:

Cash paid during the year for:

Income Taxes	\$ -0-
Interest	-0-

See accompanying notes to the financial statements.

**THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND**  
Jefferson City, Missouri

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2011

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Organization and Nature of Activities

The Catholic Diocese of Jefferson City Fund (the Fund) is an irrevocable charitable trust established July 1, 2005 to hold and invest contributions and deposits from the grantor, the Diocese of Jefferson City, parishes of the Diocese, their affiliated organizations, and Diocese organizations, all of which are exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Fund also makes loans to the participants for their charitable purposes.

Basis of Accounting

The books and records of the Fund are maintained and the financial statements are prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Fund is required to report information regarding its assets, liabilities, and net assets according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets, based upon the existence or absence of donor-imposed restrictions. As of June 30, 2011, the Fund had no temporarily or permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash balances held in bank accounts and short term investments with an original maturity no longer than three months. Deposit accounts designated for long-term purposes or received with donor-imposed restrictions limiting the use to long-term purposes are not considered cash and cash equivalents.



**THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND**  
Jefferson City, Missouri

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2011

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Cont'd)

Income Taxes

The Fund is exempt from federal income tax as part of the Catholic Church under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, due to religious activities, the Fund is not required to file an IRS form 990. However, income from certain activities not directly related to The Fund's exempt purpose is subject to taxation as unrelated business income. The Fund has no unrelated business income for the year ended June 30, 2011.

Fair Value Measurements

Market value was determined using Level 1 inputs for equity funds, which are quoted market prices for identical securities in active markets, and Level 2 inputs for fixed income securities, which are quoted prices for similar securities in active markets. Level 2 inputs were derived using the market approach, which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (that is, similar) assets, liabilities, or a group of assets and liabilities, such as a business. The market prices were derived from investment broker statements as of June 30, 2011.

Loan Program for Parishes

Loans receivable are deemed to be fully collectible by management; therefore no allowance for doubtful accounts has been established.

Funds Held for Others

The Fund is holding investments for others as an agent. Since the Fund has little or no discretion in determining how the investment income, unrealized gains and losses, and realized gains and losses resulting from those investments are used, they report these investment activities as agency transactions, and, therefore, as changes in assets and liabilities rather than changes in net assets.

Subsequent Events

The Fund evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through November 8, 2011, which is the date the financial statements were available to be issued.

**THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND**  
Jefferson City, Missouri

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2011

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**NOTE 2 - RELATED PARTY:**

The Catholic Diocese of Jefferson City Fund is related through the Bishop of the Diocese of Jefferson City to the following entities: The Chancery Office Diocese of Jefferson City; Priests' Mutual Benefit Society; Diocesan Excellence in Education Fund, Inc.; The Jefferson City Diocesan Chancery Building Fund, Inc.; The Diocese of Jefferson City Jubilee Fund; the Fr. Augustine Tolton Catholic Regional High School in Columbia; Helias Catholic High School in Jefferson City; and all parishes under the Bishop. The Fund maintains separate books and records. All financial information for the above entities is presented separately and is excluded from this report.

Due to the inherent nature and purpose of the Fund, as discussed in Note 1, all transactions of the Fund, with the exception of transactions with the investment management company, are considered related party transactions.

As of June 30, 2011, The Fund's accounts payables consisted of:

Parishes Interest Payable	\$ 116,808
The Chancery Office Diocese of Jefferson City	<u>5,068</u>
	<u>\$ 121,876</u>

**Parish Deposits and Loans**

The Catholic Diocese of Jefferson City Fund encourages parishes and other diocesan entities to deposit any excess funds (funds in excess of three months operating needs) in the Fund. Participants in the deposit and loan program can receive their original investment plus accrued and paid earnings at maturity. The Fund also makes low interest loans to parishes for approved projects. Current interest rates for deposits as of June 30, 2011 vary from 1.75% to 3.25% depending on the term of the deposit. The interest rate on loans as of June 30, 2011 was 4.75%. Both deposit and loan rates are adjusted periodically to stay competitive with market rates. Loans are not issued in excess of 15 years. There are no penalties for early repayment of loan balances.

**THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND**  
Jefferson City, Missouri

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2011

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**NOTE 2 - RELATED PARTY:** (Cont'd)

The Fund holds the following deposits on account as of June 30, 2011:

The Chancery Office Diocese of Jefferson City	\$ 1,094,149
Priest Mutual Benefit Society of the Diocese of Jefferson City	775,324
Diocesan Excellence in Education Fund, Inc.	77,323
Jubilee Retirement Trust Fund of Jefferson City	513,836
Fr. Augustine Tolton Catholic Regional High School	4,731,766
Helias Catholic High School	62
The Catholic Diocese of Jefferson City Parishes	<u>15,416,585</u>
	<u>\$ 22,609,045</u>

As of June 30, 2011, the Fund holds investments in its name for:

The Chancery Office Diocese of Jefferson City	\$ 816,410
Priest Mutual Benefit Society of the Diocese of Jefferson City	6,910,174
Diocesan Excellence in Education Fund, Inc.	10,083,132
Jubilee Retirement Trust Fund of Jefferson City	8,807,294
Parish Endowment Funds	1,199,233
Helias High School	12,305
Unallocated Accrued Investment Income	<u>96,852</u>
	<u>\$ 27,925,400</u>

The Fund holds the following loans receivable on account as of June 30, 2011:

The Catholic Diocese of Jefferson City Parishes	<u>\$ 4,383,674</u>
	<u>\$ 4,383,674</u>

The summary breakdown of deposits and loans as of June 30, 2011 is as follows:

Deposits from Parishes and Others, due within 1 year:	\$ 15,409,494
Deposits from Parishes and Others, due 1-5 years:	7,035,347
Deposits from Parishes and Others, due > 5 years:	<u>164,204</u>
Total Deposits from Parishes and Others	<u>22,609,045</u>
Loans to Parishes, due within 1 year:	(391,375)
Loans to Parishes, due 1-5 years:	(1,836,775)
Loans to Parishes, due > 5 years:	<u>(2,155,524)</u>
Total Loans to Parishes	<u>(4,383,674)</u>
Net Liability to Parishes and Others	<u>\$ 18,225,371</u>

**THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND**  
Jefferson City, Missouri

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2011

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**NOTE 3 – CONCENTRATIONS:**

**Cash and Investments:**

The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of financial position. As of June 30, 2011, The Fund had invested 10% of its total investments in the Vanguard Total Bond Market Index Fund.

The Fund places its cash and cash equivalents with credit-worthy high quality financial institutions. Balances at one institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Through December 31, 2012, the FDIC has temporarily increased the FDIC coverage for non-interest bearing accounts. As of June 30, 2011, the entire balance at this one institution was fully insured. Balances in cash and cash equivalents at the other institution of \$2,342,957 are not covered by FDIC insurance, but are invested in U.S. short term debt obligations.

The Fund has 92% of its total assets invested at Central Bank and Central Trust and Investment Company.

**Loan Program:**

Balances for four of the seventeen loans receivable represent approximately 66% of the total loans receivable balance.

**Deposit Program:**

One of the 136 entities that participate in the deposit program represent approximately 21% of the total deposits payable balance. Also, three of the eight entities represent approximately 93% of the funds held for others payable.

**THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND**  
Jefferson City, Missouri

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2011

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**NOTE 4 – INVESTMENTS:**

Fair values of assets measured on a recurring basis at June 30, 2011 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Quoted Prices in Active Markets for Similar Assets (Level 2)</u>
Equities	\$14,584,817	\$14,584,817	\$ -
Fixed income	30,170,303		30,170,303

All investments are currently being held at Central Trust and Investment Co in Jefferson City, MO. Fixed income investments consist of Corporate, Municipal, and U.S. Agency bonds.

**NOTE 5 – FUNCTIONAL ALLOCATION OF EXPENSES:**

The Catholic Diocese of Jefferson City Fund categorizes its expenses as follows:

*Program expenses* relate to activities that result in interest being distributed to depositors that fulfill the purposes or mission for which the organization exists. The Fund considers all expenses, excluding support services and unallocated payments to affiliated organizations to be program expenses.

*Support services* relate to the administrative activities that are not identifiable with a single program, but are indispensable to the conduct of those activities and to the Fund's existence.

**NOTE 6 – COMMITMENTS:**

On November 23, 2010, the Board of Trustees approved a resolution authorizing the Fund to enter into an agreement in which the Fund, upon default of any required payments to be made by the Fr. Augustine Tolton Catholic High School, will either purchase the property and facilities of the School at an amount not less than the balance of their bonds or lend to the School an amount not less than the balance of their bonds. The initial principal amount on the School bonds was not to exceed \$7,300,000, and would mature June 15, 2017.

# SUPPLEMENTARY INFORMATION

**THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND**  
Jefferson City, Missouri

**COMPARATIVE SCHEDULES OF FINANCIAL POSITION**  
June 30, 2011 and 2010

	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 2,708,819	\$ 5,718,103
Investments	44,755,120	31,525,032
Accrued Interest and Dividends	180,794	156,930
Loan Program for Parishes	4,383,674	5,297,792
 Total Assets	 \$ 52,028,407	 \$ 42,697,857
 <b>Liabilities</b>		
Deposits from Parishes and Others	\$ 22,609,045	\$ 19,003,345
Funds held for others	27,925,400	22,526,545
Accounts Payable and Accrued Expenses	121,876	125,587
Total Liabilities	50,656,321	41,655,477
 <b>Net Assets</b>		
Unrestricted Net Assets	1,372,086	1,042,380
 Total Liabilities and Net Assets	 \$ 52,028,407	 \$ 42,697,857

**THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND**  
Jefferson City, Missouri

**COMPARATIVE SCHEDULES OF ACTIVITIES**  
For the Years Ended June 30, 2011 and 2010

	<b>2011</b>	<b>2010</b>
<b>Revenues</b>		
Dividend and Interest Income, Investments	\$ 672,266	\$ 726,728
Interest Income, Loans	227,688	247,640
Realized gain/(loss) on investments	(2,139)	119,988
Unrealized Gain (Loss) on All Investments	209,418	632,836
Miscellaneous Income	-	2,349
Total Revenues	1,107,233	1,729,541
 <b>Expenses:</b>		
Program:		
Interest on Depositors' Fund	448,748	511,277
Support Services:		
Accounting & Auditing Services	48,000	48,000
Investment Management	28,499	31,938
Miscellaneous	2,280	1,600
Payments to Affiliated Organizations	250,000	250,000
Total Expenses	777,527	842,815
 Change in Unrestricted Net Assets	 329,706	 886,726
 Net Assets, Beginning of Year	 1,042,380	 155,654
 Net Assets, End of Year	 \$ 1,372,086	 \$ 1,042,380