

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

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

**June 30, 2012**

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

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## Independent Auditors' Report

Board of Directors  
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 Missouri corporation, not-for-profit) as of June 30, 2012, and the related statement 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2012, 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.

*Kerber, Eck & Braeckel LLP*

St. Louis, Missouri  
November 7, 2012

Other Locations

Belleville, IL • Carbondale, IL • Springfield, IL • Jacksonville, IL • Cape Girardeau, MO • Milwaukee, WI

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

**STATEMENT OF FINANCIAL POSITION**  
June 30, 2012

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**Assets**

Cash and cash equivalents	\$ 555,149
Investments	
Depositors' fund	16,837,173
Pooled investments	31,551,545
Accrued interest and dividends	182,674
Loan program for parishes	<u>4,759,709</u>
 Total Assets	 <u>\$ 53,886,250</u>

**Liabilities**

Deposits from parishes and others	\$ 20,930,674
Funds held for others	31,651,401
Accounts payable and accrued expenses	<u>123,684</u>
Total Liabilities	52,705,759

**Net Assets**

Unrestricted net assets	<u>1,180,491</u>
 Total Liabilities and Net Assets	 <u>\$ 53,886,250</u>

See accompanying notes to the financial statements.

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

**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2012

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<b>Revenues</b>	
Dividend and interest income, investments	\$ 646,062
Interest income, loans	231,087
Realized gain on investments	106,681
Unrealized gain on investments	158,197
Miscellaneous income	<u>2,866</u>
 Total Revenues	 <u>1,144,893</u>
 <b>Expenses</b>	
Program Services	
Interest on depositors' fund	498,965
Payments to Affiliated Organizations	750,000
Support Services	
Accounting & auditing services	48,000
Investment management	37,920
Miscellaneous	<u>1,603</u>
 Total Expenses	 <u>1,336,488</u>
 Change in Net Assets	 (191,595)
 Net Assets at July 1, 2011	 <u>1,372,086</u>
 Net Assets at June 30, 2012	 <u>\$ 1,180,491</u>

See accompanying notes to the financial statements.

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

**STATEMENT OF CASH FLOWS (INDIRECT METHOD)**  
Year Ended June 30,2012

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**Cash Flows from Operating Activities**

Change in net assets	\$ (191,595)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Net unrealized and realized gains on investments	(264,878)
Increase in accrued interest and dividends	(1,880)
Increase in accounts payable and accrued expenses	<u>1,808</u>
 Net Cash Used in Operating Activities	 (456,545)

**Cash Flows from Investing Activities**

Proceeds from sale of investments	5,016,238
Purchase of investments	(8,168,196)
Loans to participants	(1,414,426)
Principal collections on loans to participants	<u>1,038,391</u>
 Net Cash Used in Investing Activities	 (3,527,993)

**Cash Flows from Financing Activities**

Additions to deposits from parishes and others	9,454,342
Withdrawals from deposits from parishes and others	(11,132,714)
Additions to funds held for others	2,657,459
Withdrawals from funds held for others	(52,416)
Investment gains/(loss) on funds held for others	<u>904,197</u>
 Net Cash Provided by Financing Activities	 <u>1,830,868</u>

Net Decrease in Cash and Cash Equivalents	(2,153,670)
 Cash and Cash Equivalents at July 1, 2011	 <u>2,708,819</u>
 Cash and Cash Equivalents at June 30, 2012	 <u>\$ 555,149</u>

See accompanying notes to the financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012

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

General Information

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, 2012, 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. Money market funds held in investment accounts are reported as investments.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012

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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, 2012.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Section 740-10. ASC Section 740-10 clarifies the accounting for income taxes by prescribing the minimum standard a tax position is required to meet before being recognized in the financial statements. The Fund has not taken any uncertain tax positions that should be accounted for under ASC Section 740-10.

Investments

Investments are reported at fair value. Fair value is determined using Level 1 inputs for common stocks, equity mutual funds and fixed income mutual funds, which are quoted market prices for identical securities in active markets. Fair value is determined using Level 2 inputs for cash and cash equivalents, certificates of deposits, municipal bonds and U.S. government agency 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 fair value was derived from investment broker statements as of June 30, 2012.

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.



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

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012

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

**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 7, 2012, which is the date the financial statements were available to be issued.

**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 Diocese of Jefferson City – Chancery Office; 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 Diocese of Jefferson City Jubilee Retirement Trust Fund, the Fr. Augustine Tolton Catholic Regional High School in Columbia; Helias Catholic High School in Jefferson City; Catholic Charities of Central and Northern Missouri; Diocese of Jefferson City Real Estate Corporation, Inc.; 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, 2012, The Fund's accounts payables and accrued expenses consisted of:

Parishes Interest Payable	\$119,184
The Diocese of Jefferson City – Chancery Office	<u>4,500</u>
	<u>\$123,684</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, 2012 vary from 1.75% to 3.75% depending on the term of the deposit. The interest rate on loans as of June 30, 2012 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**  
June 30, 2012

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

The Fund holds the following deposits on account as of June 30, 2012

The Diocese of Jefferson City – Chancery Office	\$ 1,395,134
Priests' Mutual Benefit Society of the Diocese of Jefferson City	1,022,462
Diocesan Excellence in Education Fund, Inc.	185,074
Jubilee Retirement Trust Fund of Jefferson City	729,228
Fr. Augustine Tolton Catholic Regional High School	1,244,302
Helias Catholic High School	63
Catholic Charities of Central and Northern Missouri	100,177
The Catholic Diocese of Jefferson City Parishes	<u>16,254,234</u>
	\$ <u>20,930,674</u>

As of June 30, 2012, the Fund holds investments in its name for:

The Diocese of Jefferson City – Chancery Office	\$ 1,814,598
Priests' Mutual Benefit Society of the Diocese of Jefferson City	7,671,260
Diocesan Excellence in Education Fund, Inc.	10,481,570
Jubilee Retirement Trust Fund of Jefferson City	10,301,109
Parish Endowment Funds	1,269,838
Helias Catholic High School	13,170
Unallocated Accrued Investment Income	<u>99,856</u>
	\$ <u>31,651,401</u>

The Fund holds the following loans receivable on account as of June 30, 2012:

The Catholic Diocese of Jefferson City Parishes	\$ <u>4,759,709</u>
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The summary breakdown of deposits and loans as of June 30, 2012 is as follows:

Deposits from Parishes and Others, due within 1 year	\$ 13,925,497
Deposits from Parishes and Others, due 1-5 years	6,840,506
Deposits from Parishes and Others, due > 5 years	<u>164,671</u>
Total Deposits from Parishes and Others	<u>20,930,674</u>
Loans to Parishes, due within 1 year	(476,809)
Loans to Parishes, due 1-5 years	(1,966,910)
Loans to Parishes, due > 5 years	<u>(2,315,990)</u>
Total Loans to Parishes	<u>(4,759,709)</u>
Net Liability to Parishes and Others	\$ <u>16,170,965</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012

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

The Fund periodically makes grants to the Diocese of Jefferson City – Chancery Office from accumulated net assets to help fund the operations of the Diocese. The amount contributed to the Diocese for the year ended June 30, 2012 was \$750,000 and is reported as a program expense on the Statement of Activities.

**NOTE 3 – CONCENTRATION OF CREDIT RISK**

**Cash and Investments**

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 and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term could materially affect the amounts reported in the financial statements.

The Fund places its cash and cash equivalents with credit-worthy high quality financial institutions. Balances on interest-bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Non-interest bearing account balances are covered by FDIC insurance up to an unlimited balance. From time to time, cash balances may exceed Federal insurance limits. The Fund has not experienced any losses in its accounts with the financial institutions and believes it is not exposed to any significant credit risk.

**Loan Program**

Balances for five of the eighteen loans receivable represent approximately 72% of the total loans receivable balance.

**Deposit Program**

Four of the 126 entities that participate in the deposit program represent approximately 25% of the total deposits payable balance. Also, three of the eight entities participating in the pooled investment program represent 90% of the funds held for others payable.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 4 – FAIR VALUE MEASUREMENTS**

Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values of assets measured on a recurring basis at June 30, 2012 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
<b>Depositors' Fund</b>			
Cash and equivalents	\$ 1,993,644	\$ -	\$ 1,993,644
Common stocks	2,701,757	2,701,757	-
Equity mutual funds	1,013,968	1,013,968	-
Municipal bonds	2,339,061	-	2,339,061
U.S. government agency securities	923,677	-	923,677
Fixed income mutual funds	7,865,066	7,865,066	-
	<u>16,837,173</u>	<u>11,580,791</u>	<u>5,256,382</u>
<b>Pooled Investments</b>			
Cash and equivalents	3,756,782	-	3,756,782
Common stocks	7,408,525	7,408,525	-
Equity mutual funds	2,310,410	2,310,410	-
Certificate of deposits	160,000	-	160,000
Municipal bonds	3,341,736	-	3,341,736
U.S. government agency securities	181,714	-	181,714
Fixed income mutual funds	14,392,378	14,392,378	-
	<u>31,551,545</u>	<u>24,111,313</u>	<u>7,440,232</u>
	<u>\$ 48,388,718</u>	<u>\$ 35,692,104</u>	<u>\$ 12,696,614</u>

All investments are currently being held at Central Trust and Investment Co in Jefferson City, Missouri.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012

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**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 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.