

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND
Jefferson City, Missouri

June 30, 2013

THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND
Jefferson City, Missouri

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Independent Auditors' Report

Trustees
The Catholic Diocese of Jefferson City Fund
Jefferson City, Missouri

We have audited the accompanying financial statements of The Catholic Diocese of Jefferson City Fund (a Missouri corporation, not-for-profit), which comprise the statement of financial position as of June 30, 2013, 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.

Auditors' 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 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 auditors' 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 Diocese of Jefferson City Fund as of June 30, 2013, 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.

Kerben, Eck + Brauchel LLP

St. Louis, Missouri
December 27, 2013

THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND
Jefferson City, Missouri

STATEMENT OF FINANCIAL POSITION

June 30, 2013

| | |
|--|---------------------------------|
| Assets | |
| Cash and cash equivalents | \$ 521,397 |
| Investments | |
| Depositor's fund | 17,858,654 |
| Pooled investments | 33,292,117 |
| Accrued interest and dividends | 170,748 |
| Loan program for parishes | <u>3,865,929</u> |
| Total Assets | <u><u>\$ 55,708,845</u></u> |
| Liabilities | |
| Deposits from parishes and others | \$ 20,946,441 |
| Pooled investment funds held for parishes and others | 33,386,686 |
| Accounts payable and accrued expenses | <u>125,961</u> |
| Total Liabilities | 54,459,088 |
| Net Assets | |
| Unrestricted net assets | <u>1,249,757</u> |
| Total Liabilities and Net Assets | <u><u>\$ 55,708,845</u></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, 2013

| Revenues | |
|---|--------------------------|
| Dividend and interest income, investments | \$ 726,139 |
| Interest income, loans | 195,654 |
| Realized gain on investments | 131,008 |
| Unrealized loss on investments | (66,970) |
| Miscellaneous income | 4,206 |
| | <hr/> |
| Total Revenues | 990,037 |
| | |
| Expenses | |
| Program Services | |
| Interest on depositors' fund | 522,547 |
| Payments to affiliated organizations | 300,000 |
| Support Services | |
| Accounting and auditing services | 52,000 |
| Investment management | 42,173 |
| Miscellaneous | 4,051 |
| | <hr/> |
| Total Expenses | 920,771 |
| | <hr/> |
| Change in Net Assets | 69,266 |
| | |
| Net Assets at July 1, 2012 | <hr/> 1,180,491 |
| | |
| Net Assets at June 30, 2013 | <hr/> <hr/> \$ 1,249,757 |

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, 2013

Cash Flows from Operating Activities:

| | |
|---|-----------|
| Change in net assets | \$ 69,266 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | |
| Net unrealized and realized gains on investments | (64,038) |
| Decrease in accrued interest and dividends | 11,926 |
| Increase in accounts payable and accrued expenses | 2,277 |

Net Cash Provided by Operating Activities 19,431

Cash Flows from Investing Activities

| | |
|--|--------------|
| Proceeds from sale of investments | 8,578,005 |
| Purchase of investments | (10,825,622) |
| Loans to participants | (531,619) |
| Principal collections on loans to participants | 1,425,399 |

Net Cash Used In Investing Activities (1,353,837)

Cash Flows from Financing Activities

| | |
|---|-------------|
| Additions to deposits from parishes and others | 5,030,672 |
| Withdrawals from deposits from parishes and others | (5,026,845) |
| Additions to pooled funds held for parishes and others | 287,612 |
| Withdrawals from pooled funds held for parishes and others | (505,612) |
| Investment gains on pooled funds held for parishes and others | 1,514,827 |

Net Cash Provided by Financing Activities 1,300,654

Net Change in Cash and Cash Equivalents (33,752)

Cash and Cash Equivalents at July 1, 2012 555,149

Cash and Cash Equivalents at June 30, 2013 \$ 521,397

See accompanying notes to the financial statements.

THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND
Jefferson City, Missouri

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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 net assets according to three classes: unrestricted, temporarily restricted and permanently restricted, based upon the existence or absence of donor-imposed restrictions. As of June 30, 2013, 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, 2013

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

Income Taxes

The Fund is exempt from Federal income taxes 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, 2013.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Section 740-10 which 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 prices were derived from investment broker statements as of June 30, 2013.

Loan Program for Parishes

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

Pooled Investment Funds Held for Parishes and 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, 2013

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 December 27, 2013, which is the date the financial statements were available to be issued.

NOTE 2 - RELATED PARTIES

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 Regional Catholic 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, 2013, The Fund's accounts payables consisted of interest payable to parishes in the amount of \$125,961.

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, 2013 vary from 1.75% to 3.75% depending on the term of the deposit. The interest rate on loans as of June 30, 2013 was 4.25%. 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, 2013

NOTE 2 - RELATED PARTIES (Cont'd)

The Fund holds the following deposits from parishes and others on account as of June 30, 2013:

| | |
|--|----------------------|
| The Diocese of Jefferson City - Chancery Office | \$ 2,139,034 |
| Priests' Mutual Benefit Society of the Diocese of Jefferson City | 990,816 |
| Diocesan Excellence in Education Fund, Inc. | 42,304 |
| Diocese of Jefferson City Jubilee Retirement Trust Fund | 138,410 |
| Fr. Augustine Tolton Regional Catholic High School | 1,328,533 |
| Helias Catholic High School in Jefferson City | 64 |
| Catholic Charities of Central and Northern Missouri | 105,305 |
| The Catholic Diocese of Jefferson City Parishes and Others | <u>16,201,975</u> |
| | <u>\$ 20,946,441</u> |

As of June 30, 2013, the Fund holds pooled investment funds for parishes and others in its name for :

| | |
|--|----------------------|
| The Diocese of Jefferson City - Chancery Office | \$ 1,929,765 |
| Priests' Mutual Benefit Society of the Diocese of Jefferson City | 8,158,615 |
| Diocesan Excellence in Education Fund, Inc. | 10,925,634 |
| Diocese of Jefferson City Jubilee Retirement Trust Fund | 10,946,224 |
| Parish Endowment Funds | 1,318,655 |
| Helias Catholic High School in Jefferson City | 13,224 |
| Unallocated Accrued Investment Income | <u>94,569</u> |
| | <u>\$ 33,386,686</u> |

The Fund holds the following loans receivable on account as of June 30, 2013:

| | |
|---|---------------------|
| The Catholic Diocese of Jefferson City Parishes | <u>\$ 3,865,929</u> |
|---|---------------------|

THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND
Jefferson City, Missouri

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - RELATED PARTIES (Cont'd)

The summary breakdown of deposits and loans as of June 30, 2013 is as follows:

| | |
|--|-----------------------------|
| Deposits from Parishes and Others; due within 1 year | \$ 12,038,978 |
| Deposits from Parishes and Others; due 1 - 5 years | 8,741,310 |
| Deposits from Parishes and Others; due > 5 years | <u>166,153</u> |
| Total Deposits from Parishes and Others | <u>20,946,441</u> |
| Loans to Parishes; due within 1 year | (311,264) |
| Loans to Parishes; due 1 - 5 years | (1,324,268) |
| Loans to Parishes; due > 5 years | <u>(2,230,397)</u> |
| Total Loans to Parishes | <u>(3,865,929)</u> |
| Net Liability to Parishes and Others | <u><u>\$ 17,080,512</u></u> |

The Fund paid \$52,000 for accounting services provided by the Diocese of Jefferson City – Chancery Office on behalf of the Fund for the year ended June 30, 2013. During the fiscal year ended June 30, 2013, the Fund received \$1,661,107 in deposits and had withdrawals of \$967,623 from the Diocese of Jefferson City – Chancery Office and made payments for interest and realized gains in the amount of \$126,729.

The Fund also extended a line of credit to the Diocese of Jefferson City – Chancery Office in the amount of \$300,000. Interest received from the Diocese of Jefferson City – Chancery Office on funds advanced was \$3,260. As of June 30, 2013, the full \$300,000 line of credit was available.

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, 2013 was \$300,000 and is reported as a program expense in the *Statement of Activities*.

THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND
Jefferson City, Missouri

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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 accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. 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 for Parishes

Balances for five of the fifteen loans receivable represent approximately 68% of the total loans receivable balance.

Deposits from Parishes and Others

Four of the 129 entities that participate in the deposit program represent approximately 29% of the total deposits payable balance. Also, three of the eleven entities participating in the pooled investments represent 90% of the pooled investment funds held for parishes and others payable balance.

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 and in the principal or most advantageous market for that asset or liability.

THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND
Jefferson City, Missouri

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 - FAIR VALUE MEASUREMENTS (Cont'd)

Fair values of assets measured on a recurring basis at June 30, 2013 are as follows:

| | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> |
|-----------------------------------|-------------------|-------------------|------------------|
| Depositors' Fund | | | |
| Money market | \$ 160,463 | \$ - | \$ 160,463 |
| Common stocks | | | |
| Consumer discretionary | 412,820 | 412,820 | - |
| Consumer staples | 468,773 | 468,773 | - |
| Energy | 185,074 | 185,074 | - |
| Financials | 403,860 | 403,860 | - |
| Health care | 239,807 | 239,807 | - |
| Industrials | 418,232 | 418,232 | - |
| Information technology | 613,845 | 613,845 | - |
| Materials | 151,156 | 151,156 | - |
| Utilities | 120,389 | 120,389 | - |
| Equity mutual funds | | | |
| Diversified emerging markets | 455,883 | 455,883 | - |
| World allocation | 1,038,531 | 1,038,531 | - |
| Diversified Pacific/Asia | 390,810 | 390,810 | - |
| Municipal bonds | | | |
| Aaa quality rating | 455,728 | - | 455,728 |
| Aa1 quality rating | 177,694 | - | 177,694 |
| A3 quality rating | 211,636 | - | 211,636 |
| Other | 1,915,148 | - | 1,915,148 |
| U.S. government agency securities | 226,640 | - | 226,640 |
| Fixed income mutual funds | | | |
| Nontraditional bond | 632,929 | 632,929 | - |
| Intermediate-term bond | 1,976,133 | 1,976,133 | - |
| Emerging markets bond | 2,401,634 | 2,401,634 | - |
| Corporate bond | 2,042,336 | 2,042,336 | - |
| Other | 2,759,133 | 2,759,133 | - |
| | <u>17,858,654</u> | <u>14,711,345</u> | <u>3,147,309</u> |

THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND
Jefferson City, Missouri

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 - FAIR VALUE MEASUREMENTS (Cont'd)

| | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> |
|-----------------------------------|----------------------|----------------------|---------------------|
| Pooled Investments | | | |
| Money market | 3,105,521 | - | 3,105,521 |
| Common stocks | | | |
| Consumer discretionary | 1,254,170 | 1,254,170 | - |
| Consumer staples | 1,215,483 | 1,215,483 | - |
| Energy | 596,585 | 596,585 | - |
| Financials | 1,081,236 | 1,081,236 | - |
| Health care | 696,790 | 696,790 | - |
| Industrials | 1,130,393 | 1,130,393 | - |
| Information technology | 1,623,807 | 1,623,807 | - |
| Materials | 398,523 | 398,523 | - |
| Utilities | 331,122 | 331,122 | - |
| Equity mutual funds | | | |
| Diversified emerging markets | 1,293,728 | 1,293,728 | - |
| World allocation | 938,603 | 938,603 | - |
| Diversified Pacific/Asia | 1,105,434 | 1,105,434 | - |
| Municipal bonds | | | |
| Aaa quality rating | 721,509 | - | 721,509 |
| Aa1 quality rating | 543,526 | - | 543,526 |
| Aa2 quality rating | 696,466 | - | 696,466 |
| Aa3 quality rating | 174,562 | - | 174,562 |
| A1 quality rating | 334,375 | - | 334,375 |
| Other | 787,772 | - | 787,772 |
| Certificates of deposit | 305,000 | - | 305,000 |
| U.S. government agency securities | 89,322 | - | 89,322 |
| Fixed income mutual funds | | | |
| Nontraditional bond | 978,133 | 978,133 | - |
| Intermediate-term bond | 3,900,154 | 3,900,154 | - |
| Emerging markets bond | 2,165,314 | 2,165,314 | - |
| Corporate bond | 3,997,237 | 3,997,237 | - |
| Other | 3,827,352 | 3,827,352 | - |
| | <u>33,292,117</u> | <u>26,534,064</u> | <u>6,758,053</u> |
| Total investments | <u>\$ 51,150,771</u> | <u>\$ 41,245,409</u> | <u>\$ 9,905,362</u> |

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

THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND
Jefferson City, Missouri

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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 in Jefferson City, 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.