

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**JUBILEE RETIREMENT TRUST FUND**  
Jefferson City, Missouri

**June 30, 2012**

**JUBILEE RETIREMENT TRUST FUND**  
Jefferson City, Missouri

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## Independent Auditors' Report

Board of Trustees  
Jubilee Retirement Trust Fund  
Jefferson City, Missouri

We have audited the accompanying statement of financial position of the Jubilee Retirement Trust Fund (the Trust Fund) (a Missouri corporation, not-for-profit) as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Trust 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 Trust 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 Jubilee Retirement Trust 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.

St. Louis, Missouri  
January 18, 2013

*Kerber, Eck + Braeckel LLP*

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Other Locations

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

**JUBILEE RETIREMENT TRUST FUND**  
Jefferson City, Missouri

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

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<b>Assets</b>	
Cash and cash equivalents	\$ 46,866
Investments	
Funds on deposit with the Catholic Diocese of Jefferson City Fund	
Pooled investments	10,301,109
Depositor's fund	729,228
Pledged contributions receivable, net	<u>49,923</u>
 Total Assets	 <u><u>\$ 11,127,126</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 2,320
<b>Net Assets</b>	
Temporarily restricted	1,124,942
Permanently restricted	<u>9,999,864</u>
Total Net Assets	<u>11,124,806</u>
 Total Liabilities and Net Assets	 <u><u>\$ 11,127,126</u></u>

See accompanying notes to the financial statements.

**JUBILEE RETIREMENT TRUST FUND**  
Jefferson City, Missouri

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenues</b>				
Contributions	\$ -	\$ -	\$ 1,126	\$ 1,126
Investment income				
Interest and dividend income	-	324,941	-	324,941
Net realized gain on investments	-	36,177	-	36,177
Net unrealized gain on investments	-	95,152	-	95,152
Net assets released from restrictions	60,186	(60,186)	-	-
<b>Total Support and Revenues</b>	<u>60,186</u>	<u>396,084</u>	<u>1,126</u>	<u>457,396</u>
<b>Expenses</b>				
Accounting & auditing	9,000	-	-	9,000
Investment management	26,098	-	-	26,098
Other professional services	25,088	-	-	25,088
<b>Total Expenses</b>	<u>60,186</u>	<u>-</u>	<u>-</u>	<u>60,186</u>
Net Increase in Net Assets	-	396,084	1,126	397,210
Net Assets at July 1, 2011, as originally reported	728,858	-	9,998,738	10,727,596
Prior Period Adjustment	(728,858)	728,858	-	-
Net Assets at July 1, 2011, as restated	<u>-</u>	<u>728,858</u>	<u>9,998,738</u>	<u>10,727,596</u>
Net Assets at June 30, 2012	<u>\$ -</u>	<u>\$ 1,124,942</u>	<u>\$ 9,999,864</u>	<u>\$ 11,124,806</u>

See accompanying notes to the financial statements.

**JUBILEE RETIREMENT TRUST FUND**  
Jefferson City, Missouri

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

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<b>Cash Flows from Operating Activities</b>	
Change in net assets	\$ 397,210
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Net unrealized gains on investments	(95,152)
Decrease in pledged contributions receivable	1,327,304
Decrease in accounts payable	<u>(37,510)</u>
Net cash provided by operating activities	1,591,852
<b>Cash Flows from Investing Activities</b>	
Proceeds from sale of investments	1,074,483
Purchase of investments	<u>(2,688,538)</u>
Net cash used in investing activities	<u>(1,614,055)</u>
Net change in cash and cash equivalents	(22,203)
Cash and cash equivalents at July 1, 2011	<u>69,069</u>
Cash and cash equivalents at June 30, 2012	<u>\$ 46,866</u>

See accompanying notes to the financial statements.

**JUBILEE RETIREMENT TRUST FUND**  
Jefferson City, Missouri

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

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

Organization and Nature of Activities

The Jubilee Retirement Trust Fund (the Trust Fund) is a not-for-profit corporation established June 26, 2008 to provide support to the Bishop, the Catholic Diocese of Jefferson City, and the contributing entities to assist them in providing for the retirement needs of the lay employees and Deacons covered under the Catholic Diocese of Jefferson City's Tax Deferred Annuity Plan. The Trust Fund's source of income is mainly contributions and investment income.

Basis of Accounting

The books and records of the Trust 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 Trust Fund is required to report information regarding its assets, liabilities, and net assets according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets based upon the existence or absence of donor-imposed restrictions. As of June 30, 2012, the Trust Fund had temporarily restricted and permanently restricted net assets and no unrestricted net assets.

Unrestricted Net Assets

Include all non-designated and designated resources other than temporarily restricted or permanently restricted net assets available for support of operations.

Temporarily Restricted Net Assets

Include all resources whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled by actions of the Trust Fund pursuant to those stipulations.

Permanently Restricted Net Assets

Resources whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Trust Fund.

**JUBILEE RETIREMENT TRUST 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)

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 Trust Fund also maintains some deposits with the Catholic Diocese of Jefferson City Fund. However, the Trust Fund does not consider funds on deposit with the Diocese of Jefferson City Fund to be cash equivalents and accounts for them like other investments.

Fair Value Measurements

Investments are reported at fair value. The investments are managed along with investments of affiliates in the Catholic Diocese of Jefferson City Fund (DJC Fund). Fair value of the underlying investments in the DJC Fund 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 cash and equivalents and 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, 2012. Fair value measurements using Level 3 inputs for pledged contribution receivables are unobservable inputs for the asset and rely on management's own assumptions. Level 3 inputs were derived using the income approach, which is a valuation technique used to convert future cash flows to a single present value amount. The measurement is based on the value indicated by current market expectations about those future cash flows.

Pooled investment fund interest and dividends, realized gains and losses, and unrealized gains and losses are allocated based on a proportionate share of each entity's fair value at the time of allocation. The financial statements of each entity only reflect that entity's share of the pooled fund.



**JUBILEE RETIREMENT TRUST 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 Trust 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 the religious activities, the Trust Fund is not required to file an IRS Form 990. However, income from certain activities not directly related to the Trust Fund's exempt purpose is subject to taxation as unrelated business income. The Trust Fund had 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 Trust Fund has not taken any uncertain tax positions that should be accounted for under ASC Section 740-10.

Pledged Contributions Receivable

The Diocese of Jefferson City Jubilee Fund conducted the Grateful Memories Faithful Future Capital Campaign in which donors could designate their contributions to the Jubilee Retirement Trust Fund. These pledges are recognized as contributions when the donor makes a promise to give to the Trust Fund that is, in substance, unconditional. An unconditional promise has also been made by the Board of Directors of the Diocese of Jefferson City Jubilee Fund to give a portion of the undesignated pledges they received from the Campaign to the Trust Fund. These unconditional promises to give due in the next year are reflected as pledged contributions receivable in less than one year in Note 3 and recorded at their net realizable value. The unconditional promises to give due in subsequent years are reflected as pledged contributions receivable in one to five years in Note 3 and recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received to discount the amounts.

The payments made on this receivable are based on the collection of the pledges within the Diocese of Jefferson City Jubilee Fund. The discount at June 30, 2012 was \$135.

Subsequent Events

The Trust 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 January 18, 2013, which is the date the financial statements were available to be issued.

**JUBILEE RETIREMENT TRUST FUND**  
Jefferson City, Missouri

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

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**NOTE 2 – CONCENTRATION OF CREDIT RISK**

The Trust Fund places its cash and cash equivalents with one credit-worthy high quality financial institution. 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. At June 30, 2012, cash balances in the Trust Fund were fully insured.

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 Trust Fund has funds on deposit with the DJC Fund of \$729,228 which comprise 7% of the Trust Fund's net assets. The Trust Fund also has pooled investments held in the name of the DJC Fund of \$10,301,109 which comprise 93% of the Trust Fund's net assets.

**NOTE 3 - RELATED PARTY**

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

As of June 30, 2012, the DJC Fund held investments for the Trust Fund in the amount of \$10,301,109. During the fiscal year, the DJC Fund allocated net investment income to the Trust Fund of \$419,333 on the investment held in its name for the Trust Fund.

As of June 30, 2012, funds held on deposit with the DJC Fund totaled \$729,228. Participants of the deposit and loan program can receive their original investment plus accrued and paid earnings at maturity. During the fiscal year ended June 30, 2012, the DJC Fund paid the Trust Fund \$10,875 for interest earned.

The Diocese of Jefferson City Jubilee Fund remitted \$1,328,430 to the Trust Fund during the fiscal year ended June 30, 2012 to be held on deposit for the Trust Fund.

**JUBILEE RETIREMENT TRUST FUND**  
Jefferson City, Missouri

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

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**NOTE 3 – RELATED PARTY** (Cont'd)

The Trust Fund was invoiced by the Diocese of Jefferson City - Chancery Office for accounting and professional services in the amount of \$34,088. As of June 30, 2012, the outstanding balance was \$2,320.

As of June 30, 2012, the Diocese of Jefferson City Jubilee Fund owes the Trust Fund \$50,058 for contributions that have been pledged for lay retirement.

Pledged contributions receivable at June 30, 2012, are as follows:

Contributions receivable from Diocese of Jefferson City Jubilee Fund	\$ 50,058
Less discounts to net present value and allowance for uncollectible	<u>( 135)</u>
	<u>\$ 49,923</u>
Receivable in less than one year	\$ 48,675
Receivable in one to five years	<u>1,383</u>
	<u>\$ 50,058</u>

The discount rate used on long-term promises to give was 4.16%.

Beginning July 1, 2012, the Trust Fund will begin making payments to the Diocese of Jefferson City - Chancery Office for the purpose of providing a 100% match of elective deferrals by participants of the Diocese of Jefferson City 403(b) Plan, up to 2% of the gross salary of the participants. In addition, the Trust Fund will begin making payments to the Diocese of Jefferson City - Chancery Office for the purpose of providing a 1% employer contribution for participants of the Diocese of Jefferson City 403(b) Plan.

**NOTE 4 – FUNCTIONAL ALLOCATION OF EXPENSES**

The Trust Fund considers all expenses to be program expenses, since they relate directly to activities that result in the distribution of funds to beneficiaries that fulfill the purpose and mission for which the organization exists.

**JUBILEE RETIREMENT TRUST FUND**  
Jefferson City, Missouri

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

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**NOTE 5 – ENDOWMENT NET ASSETS**

The Trust Fund has adopted standards for the reporting of endowments. These standards provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and improves disclosures about an organization's endowed funds (both donor restricted endowment funds and board designated endowment funds).

The Trust Fund has donor-restricted endowment funds established for educational and operational purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Missouri enacted UPMIFA effective August 28, 2009, the provisions of which apply to endowment funds existing on or established after that date. The Trust Fund 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. As a result of this interpretation, the Trust Fund classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Trust Fund.

Endowment net asset composition by type of fund as of June 30, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 1,124,942	\$ 9,999,864	\$ 11,124,806

**JUBILEE RETIREMENT TRUST FUND**  
Jefferson City, Missouri

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

**NOTE 5 – ENDOWMENT NET ASSETS** (Cont'd)

Changes in endowment net assets for the year ended June 30, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets at July 1, 2011	\$ 728,858	\$ -	\$ 9,998,738	\$ 10,727,596
Reclassify net assets for adoption of new accounting standard	(728,858)	728,858	-	-
Contributions	-	-	1,126	1,126
Investment income	-	456,270	-	456,270
Amounts appropriated for expenditure	-	(60,186)	-	(60,186)
Endowment net assets at June 30, 2012	<u>\$ -</u>	<u>\$ 1,124,942</u>	<u>\$ 9,999,864</u>	<u>\$ 11,124,806</u>

**Investment Return Objectives, Risk Parameters and Strategies**

The Trust Fund has adopted investment policies, approved by the Board of Trustees, for assets that attempt to provide a predictable stream of funding to the Trust Fund's programs while also maintaining the purchasing power of those assets over the long-term. Accordingly, the investment process seeks to achieve an average total annual rate of return which consists of the Consumer Price Index (CPI) plus 4%. Assets are invested in a diversified asset mix, which includes equity and fixed income securities. The Trust Fund expects its assets, over time, to produce an average rate of return of approximately 6% annually. Actual returns in any given year may vary from this amount.

**Spending Policy**

The Trust Fund sets its spending policy at a rate to ensure the assets grow at a long-term average rate of 4% annually. This is consistent with the Trust Fund's objective to maintain the purchasing power of the assets as well as to provide additional real growth through new gifts and investment return.

**Permanently Restricted Net Assets**

Permanently restricted net assets consist of contributions made to the Trust Fund through the Grateful Memories Faithful Future campaign conducted by the Diocese of Jefferson City Jubilee Fund and are to be held indefinitely as endowments. Only the income from these assets can be used to support the purposes of the Trust Fund.

**JUBILEE RETIREMENT TRUST FUND**  
Jefferson City, Missouri

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

**NOTE 6 – FAIR VALUE MEASUREMENTS**

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

The majority of the Trust Fund's investments are held in a pooled investment account with the Catholic Diocese of Jefferson City Fund. Pooled investments include cash and equivalents, common stocks, equity mutual funds, certificates of deposits, municipal bonds, U.S. government agency securities and fixed income mutual funds. The Trust Fund's investments at June 30, 2012 were allocated 1% to cash and cash equivalents, 39% equities and 60% fixed income.

The Trust Fund deposits funds in excess of three months of operating needs in the Catholic Diocese of Jefferson City Fund. The Depositor's fund program operates similar to a money market account and pays interest on the deposited funds competitive with current market rates. Interest rates on deposits varied at June 30, 2012 from 1.75% to 3.75%, depending on the term of the deposit.

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

	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pooled investments					
Cash and cash equivalents	\$ 78,427	\$ 78,273	\$ -	\$ 78,273	\$ -
Equity securities	3,767,629	4,000,030	4,000,030	-	-
Fixed income securities	5,960,540	6,222,806	-	6,222,806	-
Total	<u>9,806,596</u>	<u>10,301,109</u>	<u>4,000,030</u>	<u>6,301,079</u>	<u>-</u>
Depositor's fund	729,228	729,228	-	729,228	-
Total investments	<u>10,535,824</u>	<u>11,030,337</u>	<u>4,000,030</u>	<u>7,030,307</u>	<u>-</u>
Pledged contributions receivable	49,923	49,923	-	-	49,923
	<u>\$ 10,585,747</u>	<u>\$ 11,080,260</u>	<u>\$ 4,000,030</u>	<u>\$ 7,030,307</u>	<u>\$ 49,923</u>

**JUBILEE RETIREMENT TRUST FUND**  
Jefferson City, Missouri

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

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**NOTE 6 – FAIR VALUE MEASUREMENTS** (Cont'd)

The following sets forth a summary of the changes in fair value of the Trust Fund's level 3 assets for the year ended June 30, 2012. Fair value for the pledged contributions receivable is determined by calculating the present value of the future contributions expected to be received, using a 4.16% discount rate.

Balance at July 1, 2011	\$ 1,377,227
Change in allowance and discount	1,126
Payments from the Diocese of Jefferson City Jubilee Fund	<u>(1,328,430)</u>
Balance at June 30, 2012	<u>\$ 49,923</u>

**NOTE 7 – PRIOR PERIOD ADJUSTMENT**

Effective July 1, 2011, the Trust Fund adopted the standards for reporting of endowments which provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. The effect of adoption of these accounting standards was to reclassify unrestricted net assets of \$728,858 to temporarily restricted net assets as of July 1, 2011. Temporarily restricted net assets will be released from restrictions when the donor restriction is met or the Board of Directors appropriates temporarily restricted assets for expenditure.