

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

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

**June 30, 2013**

**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 financial statements of Jubilee Retirement Trust Fund (the Trust 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 Jubilee Retirement Trust 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.

*Kerbin, Eck + Braeckel LLP*

St. Louis, Missouri  
December 27, 2013

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

**STATEMENT OF FINANCIAL POSITION**  
June 30, 2013

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**Assets**

Cash and cash equivalents	\$ 19,532
Pledged contributions receivable	274,944
Investments	
Funds on deposit with The Catholic Diocese of Jefferson City Fund:	
Pooled investments	10,946,224
Depositor's fund	<u>138,410</u>
 Total Assets	 <u><u>\$ 11,379,110</u></u>

**Liabilities**

Accounts payable	\$ 14,407
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**Net Assets**

Temporarily restricted	1,089,760
Permanently restricted	<u>10,274,943</u>
Total Net Assets	<u><u>11,364,703</u></u>

Total Liabilities and Net Assets	<u><u>\$ 11,379,110</u></u>
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See accompanying notes to the financial statements.

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

**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and Revenues</b>				
Contributions	\$ -	\$ -	\$ 275,079	\$ 275,079
Investment income				
Interest and dividend income	-	391,172	-	391,172
Net realized gain on investments	-	137,847	-	137,847
Net unrealized gain on investments	-	153,888	-	153,888
Total Investment Income	-	682,907	-	682,907
Net assets released from restrictions	718,089	(718,089)	-	-
 Total Support and Revenues	 718,089	 (35,182)	 275,079	 957,986
<b>Expenses</b>				
Distributions paid	660,152	-	-	660,152
Accounting and auditing	9,000	-	-	9,000
Investment management	28,645	-	-	28,645
Other professional services	20,292	-	-	20,292
 Total Expenses	 718,089	 -	 -	 718,089
 Change in Net Assets	 -	 (35,182)	 275,079	 239,897
Net Assets at July 1, 2012	-	1,124,942	9,999,864	11,124,806
Net Assets at June 30, 2013	\$ -	\$ 1,089,760	\$ 10,274,943	\$ 11,364,703

See accompanying notes to the financial statements.

**JUBILEE RETIREMENT TRUST FUND**

Jefferson City, Missouri

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

Year Ended June 30, 2013

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**Cash Flows from Operating Activities**

Change in net assets	\$ 239,897
Adjustments to reconcile change in net assets to net cash used in operating activities	
Net realized and unrealized gains on investments	(291,735)
Increase in pledged contributions receivable	(225,021)
Increase in accounts payable	<u>12,087</u>
Net cash used in operating activities	<u>(264,772)</u>

**Cash Flows from Investing Activities**

Proceeds from sale of investments	671,488
Purchase of investments	<u>(434,051)</u>
Net cash provided by investing activities	<u>237,437</u>

Net change in cash and cash equivalents (27,334)

Cash and cash equivalents at July 1, 2012 46,866

Cash and cash equivalents at June 30, 2013 \$ 19,532

See accompanying notes to the financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2013

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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 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 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 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, 2013

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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 include 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 Catholic Diocese of Jefferson City Fund to be cash equivalents and accounts for them like other investments.

##### Investments

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, 2013. Fair value measurements using Level 3 inputs for pledged contribution receivables are unobservable inputs for the asset and rely on managements 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, 2013

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

Income Taxes

The Trust 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 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, 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 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 (GMFF) 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 GMFF Campaign to the Trust Fund. The pledged contribution receivable was collected in July 2013.

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 December 27, 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, 2013

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**NOTE 2 – CONCENTRATIONS OF CREDIT RISK**

The Trust Fund places its cash and cash equivalents with one credit-worthy, high quality financial institution. Balances at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2013, 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 reasonable 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 \$138,410 which comprise 1% of the Trust Fund's net assets. The Trust Fund also has pooled investments held in the name of the DJC Fund of \$10,946,224 which comprise 96% of the Trust Fund's net assets.

**NOTE 3 - RELATED PARTIES**

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 Catholic 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, 2013, the DJC Fund held investments for the Trust Fund in the amount of \$10,946,224. During the fiscal year, the DJC Fund allocated net investment income to the Trust Fund of \$654,297 on the investments held in its name for the Trust Fund.

As of June 30, 2013, funds held on deposit with the DJC Fund totaled \$138,410. 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, 2013, the DJC Fund paid the Trust Fund \$9,182 for interest earned.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2013

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**NOTE 3 - RELATED PARTIES** (Cont'd)

The Diocese of Jefferson City Jubilee Fund remitted \$50,058 to the Trust Fund during the period ended June 30, 2013 to be held on deposit for the Trust Fund. In addition, the Board of Directors of the Diocese of Jefferson City Jubilee Fund notified the Trustees of the Trust Fund that in July 2013, they would receive an additional \$274,944 as a final distribution of excess funds received by the Grateful Memories Faithful Future Capital Campaign that was now concluded. This amount is reflected in the *Statement of Financial Position* as pledged contributions receivable at June 30, 2013.

The Trust Fund is invoiced by the Diocese of Jefferson City - Chancery Office for accounting and professional services in the amount of \$9,000. As of June 30, 2013, the outstanding balance was \$750.

The Trust Fund makes 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 makes 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. The Trust Fund also makes payments for miscellaneous administrative fees incurred by the Diocese of Jefferson City - Chancery Office for the administration of the 403(b) plan. The Diocese invoiced the Trust Fund \$680,444 for these payments. As of June 30, 2013 the outstanding balance was \$13,657.

**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, 2013

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**NOTE 5 - ENDOWMENT NET ASSETS**

The Trust Fund has adopted standards for 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 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 as 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, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$1,089,760</u>	<u>\$ 10,274,943</u>	<u>\$ 11,364,703</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2013

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

Changes in endowment net assets for the year ended June 30, 2013 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, 2012	\$ -	\$ 1,124,942	\$ 9,999,864	\$ 11,124,806
Contributions	-	-	275,079	275,079
Investment income	-	682,907	-	682,907
Amounts appropriated for expenditure	-	(718,089)	-	(718,089)
Endowment net assets at June 30, 2013	<u>\$ -</u>	<u>\$ 1,089,760</u>	<u>\$ 10,274,943</u>	<u>\$ 11,364,703</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 nominal 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, 2013

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

The majority of the Trust Fund's investments are held in a pooled investment account with the DJC Fund. Pooled investments include cash and cash 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, 2013 were allocated 1% to cash and cash equivalents, 42% equities and 57% fixed income.

The Trust Fund deposits funds in excess of three months of operating needs in the DJC 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, 2013 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, 2013 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	\$ 110,278	\$ 110,278	\$ -	\$ 110,278	\$ -
Equity securities	3,791,601	4,547,828	4,547,828	-	-
Fixed income securities	6,395,943	6,288,118	-	6,288,118	-
Total	<u>10,297,822</u>	<u>10,946,224</u>	<u>4,547,828</u>	<u>6,398,396</u>	<u>-</u>
Depositor's fund	<u>138,410</u>	<u>138,410</u>	<u>-</u>	<u>138,410</u>	<u>-</u>
Total investments	10,436,232	11,084,634	4,547,828	6,536,806	-
Pledged contributions receivable	<u>274,944</u>	<u>274,944</u>	<u>-</u>	<u>-</u>	<u>274,944</u>
Total	<u>\$ 10,711,176</u>	<u>\$ 11,359,578</u>	<u>\$ 4,547,828</u>	<u>\$ 6,536,806</u>	<u>\$ 274,944</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2013

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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, 2013. Fair value for the pledged contributions receivable is determined by calculating the present value of the future contributions expected to be received without a discount to be applied due to the short term nature of the receivable.

Balance at July 1, 2012	\$ 49,923
Change in allowance and discount	135
Current year pledges	274,944
Payments from the Diocese of Jefferson City Jubilee Fund	(50,058)
Balance at June 30, 2013	<u>\$ 274,944</u>