

**JUBILEE RETIREMENT TRUST FUND
JEFFERSON CITY, MISSOURI**

FINANCIAL STATEMENTS

June 30, 2018 and 2017

**JUBILEE RETIREMENT TRUST FUND
JEFFERSON CITY, MISSOURI**

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Kerber, Eck & Braeckel LLP

Independent Auditors' Report

CPAs and
Management Consultants

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Board of Trustees
Jubilee Retirement Trust Fund
Jefferson City, Missouri

We have audited the accompanying financial statements of Jubilee Retirement Trust Fund (a Missouri corporation, not-for-profit), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kerber, Eck & Braeckel LLP

St. Louis, Missouri
December 13, 2018

Other Locations

Carbondale, IL • Columbia, IL • Harrisburg, IL • Litchfield, IL • O'Fallon, IL • Springfield, IL • Cape Girardeau, MO • Milwaukee, WI

JUBILEE RETIREMENT TRUST FUND
JEFFERSON CITY, MISSOURI

STATEMENTS OF FINANCIAL POSITION
June 30,

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 71,604	\$ 141,164
Investments		
Funds on deposit with The Catholic Diocese of Jefferson City Fund:		
Pooled investments	20,697,487	19,056,236
Depositor's fund	<u>183,416</u>	<u>1,023,922</u>
Total assets	<u>\$ 20,952,507</u>	<u>\$ 20,221,322</u>
LIABILITIES		
Accounts payable	\$ 27,249	\$ 115,419
NET ASSETS		
Unrestricted	7,544,883	7,790,259
Temporarily restricted	3,101,138	2,036,407
Permanently restricted	<u>10,279,237</u>	<u>10,279,237</u>
Total net assets	<u>20,925,258</u>	<u>20,105,903</u>
Total liabilities and net assets	<u>\$ 20,952,507</u>	<u>\$ 20,221,322</u>

See notes to financial statements.

JUBILEE RETIREMENT TRUST FUND
JEFFERSON CITY, MISSOURI

STATEMENTS OF ACTIVITIES
Years ended June 30,

	2018				2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenues								
Investment income								
Interest and dividend income	\$ 158,626	\$ 288,209	\$ -	\$ 446,835	\$ 104,934	\$ 256,410	\$ -	\$ 361,344
Net realized gain (loss) on investments	(65,031)	(118,156)	-	(183,187)	39,478	96,464	-	135,942
Net unrealized gain on investments	516,959	939,263	-	1,456,222	217,099	530,487	-	747,586
Investment management fees	(24,539)	(44,585)	-	(69,124)	(15,048)	(31,882)	-	(46,930)
Total investment income	586,015	1,064,731	-	1,650,746	348,463	851,479	-	1,199,942
Contributions	-	-	-	-	7,000,000	-	159	7,000,159
Total support and revenues	586,015	1,064,731	-	1,650,746	7,348,463	851,479	159	8,200,101
Expenses								
Distributions paid	822,391	-	-	822,391	816,189	-	-	816,189
Accounting and auditing	9,000	-	-	9,000	9,000	-	-	9,000
Total expenses	831,391	-	-	831,391	825,189	-	-	825,189
Change in net assets	(245,376)	1,064,731	-	819,355	6,523,274	851,479	159	7,374,912
Net assets, beginning of year	7,790,359	2,036,407	10,279,237	20,105,903	1,266,985	1,184,928	10,279,078	12,730,991
Net assets, end of year	\$ 7,544,883	\$ 3,101,138	\$ 10,279,237	\$ 20,925,258	\$ 7,790,259	\$ 2,036,407	\$ 10,279,237	\$ 20,105,903

See notes to financial statements.

JUBILEE RETIREMENT TRUST FUND
JEFFERSON CITY, MISSOURI

STATEMENTS OF CASH FLOWS
Years ended June 30,

	<u>2018</u>	<u>2017</u>
Increase (decrease) in cash and equivalents		
Cash flows from operating activities		
Change in net assets	\$ 819,355	\$ 7,374,912
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net realized and unrealized gains on investments	(1,273,035)	(883,528)
Increase (decrease) in accounts payable	<u>(88,170)</u>	<u>95,322</u>
Net cash provided by (used in) operating activities	(541,850)	6,586,706
Cash flows from investing activities		
Proceeds from sale of investments	919,125	6,804,930
Purchase of investments	<u>(446,835)</u>	<u>(13,361,343)</u>
Net cash provided by (used in) investing activities	<u>472,290</u>	<u>(6,556,413)</u>
Net change in cash and cash equivalents	(69,560)	30,293
Cash and cash equivalents, beginning of year	<u>141,164</u>	<u>110,871</u>
Cash and cash equivalents, end of year	<u>\$ 71,604</u>	<u>\$ 141,164</u>

See notes to financial statements.

**JUBILEE RETIREMENT TRUST FUND
JEFFERSON CITY, MISSOURI**

NOTES TO FINANCIAL STATEMENTS

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 lay employees and Deacons covered under the Catholic Diocese of Jefferson City's Tax Deferred Annuity Plan.

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, 2018 and 2017, the Trust Fund had unrestricted, temporarily restricted and permanently restricted 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 FINANCIAL STATEMENTS

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 (DJC Fund). However, the Trust Fund does not consider funds on deposit with DJC Fund to be cash equivalents and accounts for them like other investments.

Investments

The investments are managed along with investments of affiliates in the DJC Fund. 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.

Investments are reported at fair value. 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 and most advantageous market for the asset or liability.

Fair value of the underlying investments in the DJC Fund was determined using Level 1 inputs for common stocks, fixed income mutual funds and alternative 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, corporate bonds, municipal bonds, U.S. government agency securities and certificates of deposit 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. Fair values were provided by investment broker statements as of June 30, 2018 and 2017.

**JUBILEE RETIREMENT TRUST FUND
JEFFERSON CITY, MISSOURI**

NOTES TO FINANCIAL STATEMENTS

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 Internal Revenue Service 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 years ended June 30, 2018 and 2017.

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 13, 2018, which is the date the financial statements were available to be issued.

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. From time to time, cash balances may exceed FDIC insurance limits. The Trust Fund has not experienced any loss in its account with this financial institution and believes it is not exposed to any significant credit risk.

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.

Funds on deposit with the DJC Fund comprised approximately 99% of Trust Fund's total assets at June 30, 2018 and 2017.

NOTE 3 – RELATED PARTIES

The Jubilee Retirement Trust Fund is related through the Bishop of the Catholic Diocese of Jefferson City to the following entities: The Priests' Mutual Benefit Society; The Catholic Diocese of Jefferson City Fund; The Catholic Diocese of Jefferson City – Chancery Office; Diocesan Excellence in Education Fund, Inc.; The Jefferson City Diocesan Chancery Building Fund, Inc.; The Diocese of Jefferson City Parish Development Corporation; 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; and all parishes within the Jefferson City Diocese. The Trust Fund maintains separate books and records. All financial information for the above entities is presented separately and is excluded from this report.

**JUBILEE RETIREMENT TRUST FUND
JEFFERSON CITY, MISSOURI**

NOTES TO FINANCIAL STATEMENTS

As of June 30, 2018 and 2017, the DJC Fund held pooled investments for the Trust Fund in the amount of \$20,697,487 and \$19,056,236, respectively. As of June 30, 2018 and 2017, funds held on deposit with the DJC Fund totaled \$183,416 and \$1,023,922, respectively.

The Trust Fund makes payments to The Catholic Diocese of Jefferson City – Chancery Office for accounting and professional services and for the purpose of providing a 100% match of elective deferrals by participants of the Catholic 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 Catholic Diocese of Jefferson City – Chancery Office for the purpose of providing a 1% employer contribution for participants of the Catholic Diocese of Jefferson City 403(b) Plan. As of June 30, 2018 and 2017 the outstanding balance owed to the Chancery Office was \$27,249 and \$115,419, respectively.

The Trust Fund had the following transactions with related parties for the years ended June 30:

	<u>2018</u>	<u>2017</u>
The Catholic Diocese of Jefferson City Fund		
Investment income from the Fund		
Pooled investments	\$ 1,641,252	\$ 1,183,285
Depositor's Fund	9,494	16,657
The Catholic Diocese of Jefferson City - Chancery Office		
Payments for accounting services provided by the Diocese	9,000	9,000
Contributions to the Chancery to fund pension benefit amounts for Chancery and Diocesan employees	822,391	816,189

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.

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).

**JUBILEE RETIREMENT TRUST FUND
JEFFERSON CITY, MISSOURI**

NOTES TO FINANCIAL STATEMENTS

The Trust Fund has donor-restricted endowment funds established through the Grateful Memories Faithful Future Capital campaign. 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 Trust Fund has interpreted Missouri 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.

During the years ended June 30, 2018 and 2017, the Trust Fund's donor-restricted endowment net assets had the following activity:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at July 1, 2016	\$ -	\$ 1,184,928	\$ 10,279,078	\$ 11,464,006
Contributions	-	-	159	159
Investment income	-	851,479	-	851,479
Endowment net assets at June 30, 2017	-	2,036,407	10,279,237	12,315,644
Investment income	-	1,064,731	-	1,064,731
Endowment net assets at June 30, 2018	<u>\$ -</u>	<u>\$ 3,101,138</u>	<u>\$ 10,279,237</u>	<u>\$ 13,380,375</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 of 6% which consists of the Consumer Price Index (CPI) plus 4%. Actual returns in any given year may vary from this amount. Assets are invested in a diversified asset mix, which includes equity and fixed income securities.

**JUBILEE RETIREMENT TRUST FUND
JEFFERSON CITY, MISSOURI**

NOTES TO FINANCIAL STATEMENTS

Spending Policy

The Trust Fund sets its spending policy at a rate to ensure the assets grow at a nominal average rate of the CPI 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.

NOTE 6 – FAIR VALUE MEASUREMENTS

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 from 1.5% to 3.5% at June 30, 2018 and 2017, depending on the term of the deposit.

The majority of the Trust Fund's investments are held in a pooled investment account with the DJC Fund. Pooled investments include cash and equivalents, common stocks, certificates of deposit, municipal bonds, corporate bonds, U.S. government agency securities, fixed income mutual funds, and alternative mutual funds. The Trust Fund's investments at June 30, 2018 were allocated 1% to cash and cash equivalents, 54% to equity securities and 45% to fixed income securities. The Trust Fund's investments at June 30, 2017 were allocated 1% to cash and cash equivalents, 51% to equity securities and 48% to fixed income securities.

The cost and fair value of investments at June 30, 2018 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	\$ 119,585	\$ 119,585	\$ -	\$ 119,585	\$ -
Equity securities	7,849,202	11,265,254	11,265,254	-	-
Fixed income securities	9,613,585	9,312,648	4,614,417	4,698,231	-
Total	17,582,372	20,697,487	15,879,671	4,817,816	-
Depositor's fund	183,416	183,416	-	183,416	-
Total investments	<u>\$ 17,765,788</u>	<u>\$ 20,880,903</u>	<u>\$ 15,879,671</u>	<u>\$ 5,001,232</u>	<u>\$ -</u>

JUBILEE RETIREMENT TRUST FUND
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NOTES TO FINANCIAL STATEMENTS

The cost and fair value of investments at June 30, 2017 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	\$ 117,938	\$ 117,938	\$ -	\$ 117,938	\$ -
Equity securities	7,852,861	9,706,964	9,706,964	-	-
Fixed income securities	9,426,545	9,231,334	6,554,247	2,677,087	-
Total	17,397,344	19,056,236	16,261,211	2,795,025	-
Depositor's fund	1,023,922	1,023,922	-	1,023,922	-
Total investments	<u>\$ 18,421,266</u>	<u>\$ 20,080,158</u>	<u>\$ 16,261,211</u>	<u>\$ 3,818,947</u>	<u>\$ -</u>