

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
DIOCESE OF BELLEVILLE CATHOLIC SERVICE AND MINISTRY APPEAL

June 30, 2010

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Independent Auditors' Report

Diocese of Belleville Catholic Service and Ministry Appeal
Belleville, Illinois

We have audited the accompanying statement of financial position of the Diocese of Belleville Catholic Service and Ministry Appeal (the CSMA) as of June 30, 2010, and the related statements of activities, of changes in net assets, and of cash flows for the year then ended. These financial statements are the responsibility of the Diocesan 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Diocese of Belleville Catholic Service and Ministry Appeal as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Kerber, Eck & Braeckel LLP

Springfield, Illinois
November 4, 2010

Other Locations

Jacksonville, IL • Belleville, IL • Carbondale, IL • Cape Girardeau, MO • St. Louis, MO • Milwaukee, WI

Diocese of Belleville Catholic Service and Ministry Appeal

STATEMENT OF FINANCIAL POSITION

June 30, 2010

ASSETS

Cash	\$	474,231
Contributions receivable		252,548
Due from other Diocesan Funds		8,646
Investments		441
Investments in Catholic Community Foundation		30,729
		<hr/>
Total assets	\$	<u>766,595</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$	<u>55,805</u>
Total liabilities		55,805
Net assets		
Unrestricted		458,242
Temporarily restricted		<u>252,548</u>
Total net assets		<u>710,790</u>
Total liabilities and net assets	\$	<u><u>766,595</u></u>

The accompanying notes are an integral part of this statement.

Diocese of Belleville Catholic Service and Ministry Appeal

STATEMENT OF ACTIVITIES

Year ended June 30, 2010

Changes in unrestricted net assets	
Support and revenue	
Grants	\$ 8,054
Contributions and bequests	1,108,520
Investment income	3,423
Agency revenues	<u>374,924</u>
Total support and revenue before releases	1,494,921
Net assets released from restrictions	
Satisfaction of time restrictions	249,200
Satisfaction of program restrictions	<u>-</u>
Total unrestricted support and revenue	1,744,121
Expenses	
Program	
Benefits of parishes and agencies	12,338
Educational	452,746
Christian services	723,479
Pastoral services	<u>305,727</u>
Total program services	1,494,290
Supporting services	
Fundraising	<u>188,613</u>
Total expenses	<u>1,682,903</u>
Increase in unrestricted net assets	61,218
Unrestricted net assets at beginning of year, (restated)	<u>397,024</u>
Unrestricted net assets at end of year	<u><u>\$ 458,242</u></u>
Changes in temporarily restricted net assets	
Contributions and bequests	\$ 252,548
Net assets released from restrictions	
Satisfaction of time restrictions	(249,200)
Satisfaction of program restrictions	<u>-</u>
Increase in temporarily restricted net assets	3,348
Temporarily restricted net assets at beginning of year, (restated)	<u>249,200</u>
Temporarily restricted net assets at end of year	<u><u>\$ 252,548</u></u>

The accompanying notes are an integral part of this statement.

Diocese of Belleville Catholic Service and Ministry Appeal

STATEMENT OF CHANGES IN NET ASSETS

Year ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net assets at June 30, 2009, as previously stated	\$ 344,009	\$ 184,493	\$ 528,502
Prior period adjustments	<u>53,015</u>	<u>64,707</u>	<u>117,722</u>
Net assets at June 30, 2009, restated	397,024	249,200	646,224
Increase in net assets	<u>61,218</u>	<u>3,348</u>	<u>64,566</u>
Net assets at June 30, 2010	<u><u>\$ 458,242</u></u>	<u><u>\$ 252,548</u></u>	<u><u>\$ 710,790</u></u>

The accompanying notes are an integral part of this statement.

Diocese of Belleville Catholic Service and Ministry Appeal

STATEMENT OF CASH FLOWS

Year ended June 30, 2010

Cash flows from operating activities	
Change in net assets	\$ 64,566
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Unrealized gain on investments	(3,089)
Change in assets and liabilities	
Increase in contributions receivable	(3,348)
Increase in due from other Diocesan Funds	(8,646)
Decrease in prepaid expenses	4,910
Decrease in accounts payable and accrued expenses	<u>(10,705)</u>
Net cash provided by operating activities	43,688
Cash flows from investing activities	
Purchase of investments in marketable securities	(3,535)
Proceeds from sale of marketable securities	<u>3,052</u>
Net cash used in investing activities	<u>(483)</u>
Net increase in cash	43,205
Cash at beginning of year	<u>431,026</u>
Cash at end of year	<u>\$ 474,231</u>
Interest paid	<u>\$ 142</u>

The accompanying notes are an integral part of this statement.

Diocese of Belleville Catholic Service and Ministry Appeal

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statement follows.

1. Financial Reporting Entity

The Diocese of Belleville Catholic Service and Ministry Appeal (the CSMA), is a not-for-profit corporation established under the laws of the State of Illinois, and it operates as a religious organization. The CSMA is located in Southern Illinois, and it accounts for the contributions received from the diocesan-wide appeal and the funding of various programs of the Diocese as annually determined.

2. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, report all significant receivables, payables, and other liabilities.

3. Financial Statement Presentation

The CSMA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. To ensure observance of limitations and restrictions placed on the use of resources available, the CSMA reports donations of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no permanently restricted net assets at June 30, 2010.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of short-term highly liquid investments, which are readily convertible into cash within ninety (90) days of purchase, including cash and cash equivalents held temporarily as part of an investment portfolio. There were no cash equivalents at June 30, 2010.

5. Investments and Investments in Catholic Community Foundation

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Diocese of Belleville Catholic Service and Ministry Appeal

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

6. *Contributions Receivable*

Contributions receivable due in less than one year are carried at original pledged amounts less an estimate for uncollectible contributions based on management's review of all outstanding amounts. All contributions receivable are due in less than one year. Management determines the allowance for uncollectible contributions by using historical experience applied to the total population of outstanding contributions. Contributions receivable are written off when deemed uncollectible.

7. *Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

8. *Income Taxes*

The Diocese of Belleville Catholic Service and Ministry Appeal is a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and, as such, is exempt from income taxes under Section 501(a) of the Code.

The CSMA adopted the accounting standards for uncertainty in income taxes effective July 1, 2009. This guidance prescribes a comprehensive model for financial statement recognition, measurement, classification and disclosure of uncertain tax positions. The implementation of the standards had no net effect on net assets.

As of June 30, 2010, the CSMA has recognized in the financial statements the effects of all tax positions and continually evaluates expiring statutes of limitations, audits, changes in tax law and new authoritative rulings. The CSMA is not aware of any circumstances or events that make it reasonably possible that unrecognized tax benefits may increase or decrease within 12 months of the balance sheet date. Penalties and interest assessed by taxing authorities are included in the provision for income taxes, if applicable. There were no interest or penalties paid during the year ended June 30, 2010.

Diocese of Belleville Catholic Service and Ministry Appeal

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

9. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

10. *Subsequent Events*

Management has evaluated subsequent events for recognition and disclosure in the financial statements through November 4, 2010, which is the date the financial statements were available to be issued. Through November 4, 2010, no subsequent events required recognition or disclosure in the financial statements.

NOTE B - CONCENTRATION OF CREDIT RISK

The CSMA maintains its primary cash balances at a financial institution in Belleville, Illinois. At June 30, 2010, accounts at this institution were insured by the Federal Deposit Insurance Corporation up to \$ 250,000. At times, these accounts may exceed federally insured limits. As of June 30, 2010, the CSMA has not experienced any losses in such accounts.

NOTE C - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2010 consists of:

	<u>Receivable</u>	Allowance for <u>Doubtful</u> <u>Accounts</u>	Net <u>Receivable</u>
CSMA pledges	\$ 252,548	\$ -	\$ 252,548

Diocese of Belleville Catholic Service and Ministry Appeal

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE D - INVESTMENTS AND INVESTMENTS IN CATHOLIC COMMUNITY FOUNDATION

Investments in marketable securities at June 30, 2010 consists of:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Equity securities	\$ 515	\$ 441	\$ (74)

The CSMA has various investments at June 30, 2010 in the Catholic Community Foundation, which is a related party, as follows:

	<u>Basis</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Endowment agreements	\$ 20,466	\$ 22,623	\$ 2,157
Limited term agreements	<u>7,662</u>	<u>8,106</u>	<u>444</u>
	<u>\$ 28,128</u>	<u>\$ 30,729</u>	<u>\$ 2,601</u>

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Accounting standards establish a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standards describe three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.
 Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Diocese of Belleville Catholic Service and Ministry Appeal

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE D - INVESTMENTS AND INVESTMENTS IN CATHOLIC COMMUNITY
FOUNDATION - Continued

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. Government and agency mortgage-backed debt securities and corporate debt securities. Level 2 assets also include certain entities that calculate net asset value per share if the Company has the ability to redeem the investment at net asset value per share at the measurement date or shortly thereafter. Examples of these entities include hedge funds, private equity funds, real estate funds, offshore funds and funds of funds.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant measurement judgment or estimation. This category generally includes certain private debt and equity investments. Level 3 assets also include certain entities that calculate net asset value per share in which the Company never has the ability to redeem the investment at net asset value per share or cannot redeem the investment in the near-term.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset.

Fair values of equity securities have been determined by the quoted market prices as determined by the CSMA's custodian. The Catholic Community Foundation is invested entirely in equity securities and mutual funds, for which fair values also have been determined from by the quoted market prices as determined by the Foundation's custodian.

Diocese of Belleville Catholic Service and Ministry Appeal

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE D - INVESTMENTS AND INVESTMENTS IN CATHOLIC COMMUNITY
FOUNDATION - Continued

The following table presents the CSMA's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2010.

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities	\$ 441	\$ 441	\$ -	\$ -
Catholic Community Foundation	<u>30,729</u>	<u>30,729</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 31,170</u>	<u>\$ 31,170</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2010 are available for the following purposes:

Time restrictions	
Catholic Service and Ministry Appeal pledges	<u>\$ 252,548</u>

NOTE F - NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended June 30, net assets were released from donor restrictions by incurring expenses satisfying the purpose or time stipulated by donors as follows:

Time restriction accomplished:	
Catholic Service and Ministry Appeal pledges	<u>\$ 249,200</u>

NOTE G - RELATED PARTY TRANSACTIONS

The CSMA enters into transactions with the Catholic Diocese of Belleville (the Diocese), parishes, schools and other agencies of the Diocese. Additionally, the CSMA reimbursed the Diocese for salaries and related benefits of individuals performing duties for the CSMA. The related expense for the year ended June 30, 2010 was \$ 697,613.

Diocese of Belleville Catholic Service and Ministry Appeal

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE H - PRIOR PERIOD ADJUSTMENTS

A prior period adjustment has been made to temporarily restricted net assets at June 30, 2009, to correct an understatement of contributions receivable. After this adjustment, net assets increased \$ 64,707 at June 30, 2009. A prior period adjustment has also been made to unrestricted net assets at June 30, 2009, to adjust revenue previously recorded as collections held for transmittal. After this adjustment, net assets increased \$ 53,015 at June 30, 2009. The total prior period adjustment to net assets at June 30, 2009, was \$ 117,722.