CATHOLIC EMPLOYEE BENEFIT GROUP

FINANCIAL REPORT

JUNE 30, 2013 AND 2012

Gollob Morgan Peddy PC
CERTIFIED PUBLIC ACCOUNTANTS

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Gollob Morgan Peddy
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To The Trustees
Catholic Employee Benefit Group

Report on the Financial Statements

We have audited the accompanying financial statements of the Catholic Employee Benefit Group (the Trust), which comprise the statements of net assets available for benefits as of June 30, 2013 and 2012, and the related statements of changes in net assets available for benefits for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Trust 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.

Auditor's 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 Trust'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 Trust'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 net assets available for benefits of the Catholic Employee Benefit Group as of June 30, 2013 and 2012, and the changes in its net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Gollob Morgan Peddy PC

Certified Public Accountants

Tyler, TX
October 28, 2013

Gollob Morgan Peddy PC
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CATHOLIC EMPLOYEE BENEFIT GROUP
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
Cash	$ 2,965,851	$ 2,385,596
Accounts Receivable	37,302	222,836
Other Assets	4,026	3,810
TOTAL ASSETS	3,007,179	2,612,242
LIABILITIES		
Benefit obligation	593,000	780,302
Other liabilities	216,758	374,364
TOTAL LIABILTIES	809,758	1,154,666
NET ASSETS AVAILABLE FOR BENEFITS	$ 2,197,421	$ 1,457,576

The Notes to Financial Statements are
an integral part of these statements.

CATHOLIC EMPLOYEE BENEFIT GROUP
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
ADDITIONS		
Contributions	$ 7,770,774	$ 7,287,866
Rebates	76,693	77,141
Stop loss reimbursement	-	128,743
TOTAL ADDITIONS	7,847,467	7,493,750
DEDUCTIONS		
Medical and dental claims	5,812,838	5,578,085
Insurance premiums	584,023	509,698
Management expenses	679,842	660,625
Administrative expenses	9,096	13,255
Professional services	21,823	16,974
TOTAL DEDUCTIONS	7,107,622	6,778,637
Change in net assets available for benefits	739,845	715,113
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING	1,457,576	742,463
NET ASSETS AVAILABLE FOR BENEFITS, ENDING	$ 2,197,421	$ 1,457,576

The Notes to Financial Statements are
an integral part of these statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting. Distributions are recorded when paid.

Income Taxes

The trust and its legal counsel believe that the Trust is designed and currently being operated in compliance with the applicable requirements of the IRC, including the amendments resulting from the Tax Reform Act of 1986 and subsequent legislation. Therefore, no provision has been made in the financial statements for federal income taxes.

The trust has adopted the provisions of FASB ASC 740-10, (FASB Interpretation No 48, *Accounting for Uncertainty in Income Taxes*). The trust records a liability for uncertain tax position when it is probable that a loss has been incurred and the amount can be reasonably estimated. We continually evaluate expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

Accounts Receivable

Accounts receivable are stated at unpaid balances less any allowance for doubtful accounts. Management has determined that all receivables are fully collectible at year end.

Concentration of Credit Risk

At June 30, 2013 and 2012, the Trust had bank deposits in excess of FDIC insurance limits of approximately \$2,214,350 and \$1,293,512, respectively. The trust does not have any pledged securities held against its bank accounts.

Fair Value of Financial Instruments

The carrying value of cash, accounts receivable, accounts payable, benefit obligations, and other liabilities approximates fair value due to the short maturity of these instruments.

Use of Estimates

The preparation of financial statements in conformity with U. S. 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.

Benefit Obligations

The actuarial present value of the expected costs of benefits covered by the Trust for claims incurred but not reported (IBNR) was calculated from actuarial assumptions including the overall expected level of increase in the cost of benefits provided (trend rates), to historical claims data to estimate the Trust's benefit obligation for the year then ended.

NOTE 2 – THE TRUST

The Trust was established in 2006 to provide life, health and dental benefits to employees of the subscribing employers, and their eligible dependents, and covers substantially all employees of the subscribing employers.

Benefits are provided to retired ordained and active ordained and pre-ordained employees working thirty or more hours per week on the day the employee begins active employment. Benefits are provided to all other religious order and lay employees working thirty or more hours per week on the first of the month after sixty days of continuous active employment.

Participation in the Trust is voluntary; however, each person desiring dependent coverage is required to contribute an amount determined by the Trust Committee.

The Trust agreement provides that the subscribing employers contribute to the Trust all amounts (other than those required to be contributed by participants) necessary to provide benefits.

The Trust purchases Individual Excess Risk insurance covering medical and prescription drug paid claims exceeding $200,000 per member during the plan year. Also the plan has an annual maximum amount per covered individual of $1.25 million.

NOTE 3 – BENEFIT OBLIGATIONS

The approximate present value of accumulated plan benefits as of June 30, 2013 and 2012, and the changes in accumulated benefits are as follows:

		2013		2012
Benefit obligations as of July 1	$	780,302	$	503,049
Benefit claims incurred		5,869,837		5,578,085
Claims paid		(6,057,139)		(5,300,832)
Total benefit obligations as of June 30	$	593,000	$	780,302

NOTE 4 – COMMITMENTS

Catholic Employee Benefit Group entered into a two year contract on July 1, 2008 with a third party administrator. This contract renews automatically each year for a one year period unless modified or terminated with 120 days' notice. The current renewal covers the period July 1, 2012 to June 30, 2013. The monthly payments to the third party administrator are dependent on the number of members in the plan. The total expense for benefits management under the agreement for fiscal year 2013 and 2012 amounted to $196,130 and $203,439, respectively.

NOTE 5 – OTHER LIABILITIES

Other liabilities at June 30, 2013 and 2012 consisted of the following:

	2013	2012
Accounts payable - vendors	$ 2,340	$ 59
Deferred revenue	214,418	374,305
Total other liabilities as of June 30	$ 216,758	$ 374,364

NOTE 6 – CONTINGENT LITIGATION

From time to time, the Trust is named a defendant in legal actions arising out of the normal course of business. The Trust is not a party to any pending legal proceeding other than ordinary, routine litigation incidental to our business.

NOTE 7 – PLAN TERMINATION

Although it has not expressed any intent to do so, the Trust may be terminated if the Trust Committee determines the Trust is no longer effective in serving its purposes. Upon termination, the assets then remaining shall be subject to the applicable provisions of the Trust agreement then in effect and shall be used until exhausted to pay benefits provided under the Plan and reasonable expenses of the Trust, including expenses involved in the termination.

NOTE 8 – SUBSEQUENT EVENTS

The Trust has evaluated subsequent events through October 28, 2013, the date which the financial statements were available to be issued.